

Yantai Changyu Pioneer Wine Co., Ltd.

2020 Annual Report

Final 2021-01



April 2021

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I. Important Notice, Content and Definition

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

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

All directors have personally attended the meeting for deliberating the annual report.

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

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

The Company’s preliminary scheme of profit distribution deliberated and passed by the board of directors this time is shown as following: Based on the Company’s total 685,464,000 shares, we plan to pay CNY4 (including tax) in cash as dividends for every 10 shares to all shareholders and send 0 bonus share (including tax). Capital reserve will not be transferred to equity.

Definition

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

II. Brief Introduction for the Company and Main Financial Indicators

1. Company's information

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

2. Contact person and information

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

3. Information disclosure and filing location

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

4. Registration changes

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

5. Other relevant information

The accounting firm appointed by the Company

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

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

Available Not available

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

Available Not available

6. Key accounting data and financial indicators

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

Yes No

Reason for retrospectively adjusting or restating the accounting data

Amalgamation of enterprise under the same control

	2020	2019		More or less than Last year (%)	2018	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue (CNY)	3,395,402,001	5,031,011,489	5,074,025,899	-33.08%	5,142,244,740	5,142,244,740
Net profit attributed to shareholders of the listed company (CNY)	470,860,587	1,129,735,749	1,141,367,296	-58.75%	1,042,632,929	1,042,632,929
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (CNY)	397,655,187	892,075,931	892,496,644	-55.44%	965,426,238	965,426,238
Net cash flows from operating activities (CNY)	505,146,673	837,838,024	848,852,360	-40.49%	975,978,746	975,978,746
Basic earnings per share (CNY)	0.69	1.65	1.67	-58.68%	1.52	1.52
Diluted earnings per share (CNY)	0.69	1.65	1.67	-58.68%	1.52	1.52
Weighted average for earning rate of net assets (CNY)	4.57%	11.30%	11.40%	-6.83%	11.23%	11.23%
	December 31 st , 2020	December 31 st , 2019		More or less than Last year (%)	December 31 st , 2018	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (CNY)	13,102,481,541	13,647,932,568	13,764,855,252	-4.81%	13,117,729,052	13,117,729,052
Net Assets attributed to shareholders of the listed company (CNY)	10,267,832,644	10,308,910,198	10,402,248,821	-1.29%	9,606,099,365	9,606,099,365

The lower of the net profit before and after non-recurring gains and losses in recent three fiscal years is negative and the audit report in recent one year indicates there is uncertainty in the Company's sustainable operation ability

Yes No

The lower of the net profit before and after non-recurring gains and losses is negative

Yes No

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

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

Available Not available

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

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

Available Not available

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

8. Key financial indicators by quarter

Unit: CNY

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Operating revenue	805,715,048	612,833,499	774,191,143	1,202,662,311
Net profit attributed to shareholders of the listed company	234,499,910	84,140,165	85,120,851	67,099,661
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses	225,980,141	40,786,708	73,406,867	57,481,471
Net cash flows from operating activities	-118,493,699	101,974,947	268,955,826	252,709,599

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

Yes No

9. Item and amount of non-recurring profit and loss Available Not available

Unit: CNY

Item	2020	2019	2018	Explanation
Profits and losses on disposal of non-current assets, including the provision for asset impairment write-off part	-1,165,162	6,272,676	11,368,355	
Government grants included in the current profits and losses(except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	73,180,848	84,837,581	87,281,434	
The subsidiary's net profit and loss for the current period from the beginning of the period to the combining date resulting from the combination of enterprises under the same control	12,715,544	16,514,012		
Other non-operating revenues and expenditures in addition to the aforementioned items	10,098,551	7,298,479	3,817,401	
Other profit and loss projects conforming to the definition of non-recurring profit and loss		218,649,636		
Less: Income tax effect	21,595,671	84,171,927	25,157,188	
Minority shareholders' equity effect (after taxes)	28,710	529,805	103,311	
Total	73,205,400	248,870,652	77,206,691	--

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

 Available Not available

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

III. Summary of the Company's Businesses

1. Main businesses during the report period

The Company need to comply with the disclosure requirements of “Shenzhen Stock Exchange Industry Information Disclosure Guideline No. 14 - Listed Companies Engage in Food and Liquor Manufacturing Related Businesses”.

(1) Situation of the industry in which the Company operates

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

(2) License obtained

As of March 31st, 2021, the Company and its subsidiaries have obtained 8 food production licenses (alcohol), of which the food production licenses having been obtained since the beginning of 2020 are as follows:

Producer name	Food category	Obtaining time	Obtaining method	Food production license number
Shaanxi Chateau Changyu Rena Co., Ltd.	Alcohol	October 19 th , 2020	Approval from government authority	SC11561040400532
Yantai Chateau Koya Brandy Co., Ltd.	Alcohol	January 11 th , 2021	Approval from government authority	SC11537063601165

(3) Explanation for other major events

During the report period, there did not exist the trademark ownership dispute, food quality issue or food safety incident etc. that had a significant impact on the Company.

2. Significant changes of main assets

(1) Significant changes of main assets

Main assets	Explanation of significant changes
Equity asset	Increasing by 9.74% compared with the beginning of the period, mainly owing to the Company's participation in establishing joint venture Vermouth (Shanghai) Enterprise Development Co., Ltd. and Yantai Santai Real Estate Development Co., Ltd.
Fixed asset	Decreasing by 3.68% compared with the beginning of the period with no significant change
Intangible asset	Increasing by 1.29% compared with the beginning of the period with no significant change
Construction in process	Increasing by 11.99% compared with the beginning of the period, mainly owing to the fund input into investment projects during the report period

(2) Main overseas assets situation

Available Not available

Unit: CNY

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	Proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Hacienda Y Vinedos Marques Del Atrio. SL	Acquisition of equity	548,609,709	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	16,468,138	5.22%	No
Indomita Wine Company Chile, S.p.A.	Establishment of joint venture	522,848,985	Chile	Independent operation	The Company participates in making important decisions through board of	18,196,663	4.98%	No

					directors.			
Kilikanoon Estate Pty., Ltd.	Acquisition of equity	170,864,239	Australia	Independent operation	The Company participates in making important decisions through board of directors.	1,674,686	1.63%	No
FrancsChamps Participations SAS	Sole proprietorship establishment	227,400,698	France	Independent operation	The Company participates in making important decisions through board of directors.	-2,388,428	2.16%	No
Explanation for other situation	No							

3. Analysis of core competitiveness

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

Firstly, the Company has a large brand influence. Main brands used have a long history. “Changyu”, “Noble Dragon” and “AFIP” are all China famous brands that have strong influence and good reputation.

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

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

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

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

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

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

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

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

IV. Management Discussion and Analysis

1. Summarization

In 2020, influenced by many factors, such as the slowdown of domestic economic growth and the COVID-19 epidemic, the competition in domestic wine market was very strong. The sales volumes of both imported wine and domestic wine continued the decreasing trend. Most wine production enterprises got into trouble and the Profitability had a significant decrease. The domestic wine industry was generally on the verge of loss. Facing quite a lot of external disadvantages, the Company persisted in taking the market as the center, adhered to the development strategy of “Focus on middle-and-high level, Focus on high quality, Focus on big product” and the marketing philosophy of “obtaining growth from the terminal and nurturing consumers”, and made the most of advantages including long history, strong capital strength, high brand awareness, widespread marketing network and abundant products and on to strive to promote product sales, bearing the severe market test, maintaining the industry leadership, further widening the gap with major domestic competitors and realizing operating revenue of CNY3,395.4million with a year-on-year decrease of 33.08% and net profit of CNY470.86million belonging to the parent company’s shareholders with a year-on-year decrease of 58.75%.

The Company’s products were divided into two series: wine and brandy. For wine, main brands included Changyu, Noble Dragon, AFIP, Changyu Moser XV, Golden Ice Valley, Zenithwirl, Vermouth, Rena, Baron Balboa, J.LORMIN, Atrio, Kilikanoon and IWCC and so on. For Brandy, main brands included Koya, Mminni, Pageese, Roullet Fransac and so on.

Major sales mode

The Company’s main sales mode was the distribution mode, and main sales channel was offline sales, that is, the Company’s products were distributed to sales terminals through approximately 4,000 distributors at home and abroad and ultimately provided to consumers.

Distribution mode

Available Not available

(1) Situation of change in the number of distributors

Region	Number at the beginning of 2020	Increased number during this report period	Number at the end of 2020
Eastern China	1,716	-14	1,702
South China	536	5	541
Central China	486	-7	479

North China	358	0	358
Northwest China	170	-14	156
Southwest China	416	-5	411
Northeast China	338	-49	289
HongKong, Macao, Taiwan China and overseas	523	-12	511
Total	4,543	-96	4,447

(2) The Company adopted the settlement method of cash and carry with the distributors, and mainly adopted buyout distribution mode.

The ratio of sales in self-owned exclusive shop exceeds 10%

Available Not available

Sales of online direct selling

Available Not available

Sales model	2020			2019		
	Operating income (CNY)	Operating cost (CNY)	Gross margin	Operating income (CNY)	Operating cost (CNY)	Gross margin
Distribution	2,945,453,550	1,289,537,264	56.22%	4,482,151,460	1,619,894,602	63.86%
Direct sales	449,948,451	214,340,143	52.36%	591,874,439	257,764,136	56.45%
Total	3,395,402,001	1,503,877,407	55.71%	5,074,025,899	1,877,658,738	62.99%

The change in sales prices of major products accounting for more than 10% of total operating income in current report period exceeds 30% compared with those in last report period

Available Not available

Procurement mode and procurement content

Unit:CNY

Procurement mode	Procurement content	Amount of major procurement contents
Qualitative and price comparison	Raw materials including	31,062.86

	grape and so on	
Invitation for bids / qualitative and price comparison	Packaging materials	40,706.81
Invitation for bids / qualitative and price comparison	Brewing materials	1,642.48
Invitation for bids / qualitative and price comparison	Goods and materials for vineyard	1,027.43
Contract	Fuel and power	4,107.89
Qualitative and price comparison	Other alcoholic products and derivatives	1,258.95

Amount of purchasing raw materials from cooperatives or farmers exceeds 30% of total procedure amount

Available Not available

The year-on-year change in the price of major outsourced raw materials exceeds 30%

Available Not available

Major production mode

The production mode of the Company is self-produce.

Manufacturing consignment

Available Not available

Major components of operating costs

Yield and inventory

Year	Category	Yield (ton)	Sales volume (ton)	Inventory (ton)
2019	Wine	90,001	93,090	16,885
	Brandy	39,104	35,884	7,606
2020	Wine	67,477	70,662	15,898
	Brandy	26,513	27,752	12,624

2. Analysis of main business

(1) Summarization

Description	Increase or decrease of the end of the period over the end of last year	Cause of significant changes
Operating revenue	-33.08%	Mainly because of decrease in sales volume
Operating cost	-19.91%	Mainly because of decrease in sales volume
Sales expense	-27.57%	Mainly because of reduced marketing activities affected by the epidemic
Management expense	-6.82%	Mainly because of decrease in the expenditure of wage for administrative staff
R&D expense	-24.99%	Mainly because of decrease in research input
Financial expense	-42.10%	Mainly because of increase in interest income and decrease in interest expense
Net amount of cash flow generated in operating activities	-40.49%	Mainly because of decrease in sales volume
Net amount of cash flow generated in investment activities	31.71%	Mainly because of decrease in cash expenditure for purchasing fixed assets
Net amount of cash flow generated in capital-raising activities	-47.05%	Mainly because of increase in cash paid for debt repayment

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

During the report period, the domestic wine industry was hit hard, the wine consumption market was small and disorderly, offline channel suffered serious setbacks, and online channel was not optimistic. The Company realized the operating revenue of CNY3,395.4million with an decrease of 33.08% compared with last year, lower than the target fixed at the beginning of the year of realizing operating revenue no less than CNY3.7billion, and realized the net profit of CNY470.86million belonging to the parent company's shareholders with an decrease of 58.75% compared with last year. The main works during the report period were shown as followed:

Firstly, the Company coordinated epidemic prevention work and operation work. After the outbreak of COVID-19 epidemic in China, the Company took the prevention and control of the epidemic as a very important task, quickly established a team for epidemic prevention and control, linked up and down and organized multiple meetings to improve and implement the prevention and control work plan. After the domestic epidemic got relieved, in

accordance with the requirements of relevant government departments, the Company actively organized the production resumption, insisted the normalized epidemic management work, successfully achieved “zero infection” and “zero accidents” and better balanced epidemic prevention and control work and operation work.

Secondly, the Company actively adjusted market strategies. The Company vigorously consolidated the sales system divided based on different alcoholic products varieties and continued promoting the system construction for domestic wine, brandy and imported wine. For domestic wine, at the beginning of the year, the Company actively coped the challenge of the epidemic, successively launched many activities, including carrying out non-contact distribution, recruiting community partners, holding “Cloud Drinking” tasting activity and encouraging all employees to conduct short video marketing activity and so on. The Company especially adopted a quota system to Noble Dragon in order to further regulate the market. For Brandy, the Company fully implemented the “Three Focuses” strategy, steadily improving the product structure and further increasing the proportion of mid-to-high-end products, focused on the marketing and promotion work, such as tasting activities and chateau experience etc, and constantly improved the format of tasting activities. For imported wine, the Company adhered to the positioning of Yantai Changyu Pioneer International Wine Co., Ltd. as a “brand operating company”, which further increased the proportion of overseas acquired brands. Besides these, the Company improved the brand manager system to further clarify the rights and responsibilities of brand managers, improved the assessment method to sales personnel to strive to eliminate system defects and increase the enthusiasm of sales personnel, promoted the integration of regional logistics transshipment centers and reformed the distribution system to improve distribution efficiency and reduce logistics costs. The Company also accelerated the pace of digital transformation, completed the code for each bottle of new product, launched “Changyu Member Applet”, “Changyu Smart Retail Mall” and blockchain digital certification and so on, intensified online sales and strengthened cooperation with big online enterprises to achieve a new breakthrough in online sales.

Thirdly, The Company insisted improving product quality. The Company further intensified the brand winemaker system, strengthened the responsibility of brand winemakers for internal quality of corresponding brand products, and enhanced product competitiveness. Great progress was made in the development of new products. Xinjiang Chateau passed the organic chateau certification. Ningxia Chateau, Beijing Chateau, Xinjiang Chateau and Yantai Chateau completed product upgrades. J.LORMIN and Vermouth launched new products. Regionally customized products of Castel, Noble Dragon, low-end wines and brandy and so on were launched. The quality of the Company’s domestic chateau wines were recognized by international authorities. This year, it won 99 medals in influential international competitions, including 5 grand gold medals and 35 gold medals. The new red and white Vermouth won the gold medal in 2020 ISGC. Noble Dragon won the champion in the “The World’s Best Selling Wine Brands Blind Tasting”. Golden Ice Valley icewine scored 93 points in the “Blind Tasting The World’s Best Icwines”. AFIP chateau wine ranked Top 3 in Blind-tasting The Stars of The Wine World. Moser chateau wine got 93

scores in www.erobertparker.com. In addition, overseas acquired chateau products also received many awards. For example, Kilikanoon wine won 13 gold medals in Mundus Vini, was awarded the “Australian Winery of the Year” seven times, and was awarded the “Australian Best Producer” for the fourth consecutive year; IWCC obtained China’s organic certification and achieved the “Grand Slam” of organic certification in six major countries containing United States, European Union, Japan, Switzerland, UK and China, whose customized wine was selected as the celebration gift at the Celebrations on the 50th anniversary of the establishment of diplomatic ties between China and Chile held on December 11th.

Fourthly, the Company strengthened financial management and audit supervision. The Company made full use of the centralized capital management and control mechanism, which improved the efficiency of capital use and reduced capital occupation and financing costs. Utilizing the favorable factors of exchange rate changes, relevant departments collaborated as a whole and reasonably grasp the timing of import and foreign exchange purchasing, which saved the expenditure of foreign exchange purchasing. The Company also strengthened the audit in the authenticity of financial revenues and expenditures, and conducted a comprehensive audit in the profit authenticity of main operating subsidiaries, in the economic responsibilities of outgoing middle-and-high-level personnel and in the major technological transformation projects.

(3) Revenue and cost

① Composition of operating revenue

Unit: CNY

	2020		2019		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	3,395,402,001	100%	5,074,025,899	100%	-33.08%
Sector-classified					
Sector of liquor and alcoholic beverage	3,395,402,001	100%	5,074,025,899	100%	-33.08%
Product-classified					
Wine	2,424,359,348	71.40%	3,855,645,607	75.99%	-37.12%
Brandy	877,428,035	25.84%	1,073,184,805	21.15%	-18.24%
Tourism	69,589,233	2.05%	109,037,225	2.15%	-36.18%
Others	24,025,385	0.71%	36,158,262	0.71%	-33.55%
Area-classified					
Domestic	2,889,121,152	85.09%	4,525,427,680	89.19%	-36.16%
Overseas	506,280,849	14.91%	548,598,219	10.81%	-7.71%

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

Available Not available

Unit: CNY

	Operating revenue	Operating cost	Gross margin	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	3,395,402,001	1,503,877,407	55.71%	-33.08%	-19.91%	-7.29%
Product-classified						
Wine	2,424,359,348	1,101,745,053	54.56%	-37.12%	-20.50%	-9.50%
Brandy	877,428,035	365,401,066	58.36%	-18.24%	-16.36%	-0.93%
Tourism	69,589,233	23,954,081	65.58%	-36.18%	-36.42%	0.13%
Others	24,025,385	12,777,207	46.82%	-33.55%	-25.56%	-5.71%
Area-classified						
Domestic	2,889,121,152	1,223,020,007	57.67%	-36.16%	-19.20%	-8.88%
Abroad	506,280,849	280,857,400	44.53%	-7.71%	-22.84%	10.87%

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

Available Not available

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

Yes No

Sector	Project	Unit	2020	2019	Year-on-year increase or decrease (%)
Alcohol and alcoholic beverage industry	Sales volume	Ton	93,501	127,129	-26.45%
	Yield	Ton	93,990	129,104	-27.20%
	Inventory	Ton	24,925	21,007	18.65%

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

Available Not available

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

Available Not available

⑤ Composition of operating costs

Classification of sector and product

Unit: CNY

Sector	Project	2020		2019		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverage	Blending liquor	731,348,214	49.42%	933,730,318	50.75%	-1.33%
	Packing material	457,572,889	30.92%	626,670,556	34.06%	-3.14%
	Wages	56,969,384	3.85%	65,607,418	3.57%	0.28%
	Manufacturing expenses	234,032,840	15.81%	213,977,095	11.62%	4.19%

Unit: CNY

Sector	Project	2020		2019		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Wine	Blending liquor	540,591,702	49.07%	703,625,279	50.77%	-1.70%
	Packing material	326,909,741	29.67%	459,299,602	33.14%	-3.47%
	Wages	48,585,743	4.41%	56,725,667	4.09%	0.32%
	Manufacturing expenses	185,657,867	16.85%	166,276,568	12.00%	4.85%
Brandy	Blending liquor	190,756,512	52.20%	230,056,797	52.66%	-0.46%
	Packing material	130,663,148	35.76%	167,488,596	38.34%	-2.58%
	Wages	8,383,641	2.29%	8,881,752	2.03%	0.26%
	Manufacturing cost	35,597,765	9.75%	30,467,170	6.97%	2.78%

Explanation

No

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

Yes No

During the report period, the Company acquired total equity of Yantai Changyu Cultural Tourism Development Co., Ltd., making this company and its subsidiaries all included in the scope of consolidation.

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

Available Not available

⑧ Information of major sales customers and major suppliers

The Company's major sales customers

The total sales amount of the top five customers (CNY)	216,875,333
The proportion that total sales amount of the top five customers accounting for the annual total sales amount (%)	6.39%
The proportion that sales amount of the related party in the total sales amount of the top five customers accounting for the annual total sales amount (%)	0%

Information of the Company's 5 biggest sales customers

No.	Customer name	Sales amount (CNY)	Proportion in total sales for the year (%)
1	Chongqing Ruiqi Trading Company Limited	74,471,800	2.19%
2	Shenzhen Changyuexin Trading Company Limited	52,209,663	1.54%
3	Foshan Yukun Information Technology Co., Ltd.	33,060,683	0.98%
4	Yantai Zhongzhi Liquor Co., Ltd.	31,280,422	0.92%
5	Anhui Yuanshui Beverage Co., Ltd.	25,852,765	0.76%
Total	--	216,875,333	6.39%

Other situation explanations of major customers

Available Not available

Information on the Company's main suppliers

The total purchase amount of the top 5 suppliers	299,908,229
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	25.57%
The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount	6.70%

Information on the Company's top 5 biggest suppliers

No.	Supplier name	Purchase amount (CNY)	Proportion in total purchase for the year (%)
-----	---------------	-----------------------	-----------------------------------------------

1	Qixia Changyu Glass Co.,Ltd.	89,357,148	7.62%
2	Yantai Shenma Packaging Co., Ltd.	78,520,694	6.70%
3	Xinjiang Tianyu Winery Co., Ltd. Fangcaohu Branch	53,055,626	4.52%
4	Xinjiang Yuyuan Liquor Co.,Ltd.	43,623,785	3.72%
5	Seppeltsfield Wines Pty Ltd in Australia	35,350,976	3.02%
Total	--	299,908,229	25.57%

Other situation explanations of main suppliers

Available Not available

(3) Expense

Unit: CNY

	2020	2019	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	788,252,485	1,088,305,385	-27.57%	Mainly because of reduced marketing activities affected by the epidemic
Management expense	290,646,466	311,904,656	-6.82%	Mainly because of decrease in the expenditure of wage for administrative staff
Financial expense	20,441,713	35,302,229	-42.10%	Mainly because of increase in interest income and decrease in interest expense
Research and Development expense	4,531,418	6,041,116	-24.99%	Mainly because of decrease in research input

(4) Research and development investment

Available Not available

(5) Cash flow

Unit: CNY

Item	2020	2019	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	3,385,896,941	4,836,275,324	-29.99%
Subtotal of cash outflow in operating activities	2,880,750,268	3,987,422,964	-27.75%
Net amount of cash flow generated in operating activities	505,146,673	848,852,360	-40.49%
Subtotal of cash inflow in investment activities	186,578,214	242,776,300	-23.15%
Subtotal of cash outflow in investment activities	328,946,684	451,252,061	-27.10%
Net amount of cash flow generated in investment	-142,368,470	-208,475,761	31.71%

activities			
Subtotal of cash inflow in capital-raising activities	987,668,379	942,134,032	4.83%
Subtotal of cash outflow in capital-raising activities	1,693,437,449	1,422,100,451	19.08%
Net amount of cash flow generated in capital-raising activities	-705,769,070	-479,966,419	-47.05%
Net increase of cash and cash equivalents	-344,734,365	161,113,353	-313.97%

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

Available Not available

Compared with the same period of last year, during the report period, the decreases in subtotal of cash inflow in operating activities and the net amount of cash flow generated in operating activities were mainly due to the reduce in sales volume affected by the epidemic; the decrease in the subtotal of cash outflow in operating activities was mainly due to the decrease in the payment of taxes and fees as well as other cash related to operating activities including marketing expenses; the decrease in the subtotal of cash inflow in investment activities was mainly due to the decrease in cash received from recouping investment; the decrease in the subtotal of cash outflow in investment activities and the increase in the net amount of cash flow generated in investment activities were mainly due to the decrease in cash expenditure for purchasing fixed assets; the increase in the subtotal of cash outflow in capital-raising activities and the decrease in the net amount of cash flow generated in capital-raising activities were mainly due to the increase in cash paid for debt repayment; the decrease in the net increase of cash and cash equivalents was mainly due to the decrease in the received cash owing to the reduce in sales volume and the increase in the cash paid for debt repayment.

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

Available Not available

3. Analysis to non-main business

Available Not available

4. Assets and liabilities

(1) Significant changes of assets composition

Whether the Company implements new revenue standard or new lease standard for the first time since 2020 and adjusts related items in the financial statement at the beginning of the execution year

Available Not available

Unit: CNY

	At the end of 2020		At the beginning of 2020		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,194,214,929	9.11%	1,597,410,775	11.60%	-2.49%	-
Receivables	183,853,362	1.40%	265,730,156	1.93%	-0.53%	-
Inventory	2,945,548,651	22.48%	2,901,651,555	21.08%	1.40%	-
Investment real estate	27,057,730	0.21%	29,714,586	0.22%	-0.01%	-
Long-term equity investments	48,263,507	0.37%	43,981,130	0.32%	0.05%	-
Fixed assets	5,724,935,846	43.69%	5,943,969,099	43.18%	0.51%	-
Construction in progress	635,495,152	4.85%	567,478,833	4.12%	0.73%	-
Short-term borrowings	689,090,715	5.26%	754,313,744	5.48%	-0.22%	-
Long-term borrowings	200,352,968	1.53%	128,892,501	0.94%	0.59%	-

(2) Assets and liabilities measured at fair value

Available Not available

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

At the end of report period, the Company has no assets sealed up, detained or frozen. For information about assets mortgage and pledge, please refer to *Announcement on External Guarantee* and *Announcement on Guarantee provided by Spanish Atrio Company for Bank Loan* disclosed on *China Securities Journal*, *Securities Times* and CNINFO (<http://www.cninfo.com.cn/>) in 2016, 2017, 2018, 2019 and 2020.

5. Investment condition**(1) Overall situation**

Available Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
305,280,700	399,750,000	-23.63%

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

☑ Available ☐ Not available

Unit: CNY

Invested company name	Main business	Investment mode	Investment amount	Shareholding ratio	Capital source	Partner	Investment horizon	Product type	Progress up to balance sheet date	Estimated earnings	Investment profit or loss during the report period	Whether involved in litigation	Disclosure date (if have)	Disclosure index (if have)
Yantai Santai Real Estate Development Co., Ltd.	Real estate development, operating management and property management	newly established	3,500,000	35%	Self-owned	Shandong Greentown Real Estate Investment Co., Ltd and China Continents and Oceans Construction Co., Ltd.	--	health regimen	In the preparatory stage	--	--	No	October 24 th , 2020	Please refer to <i>Announcement on Establishment of Joint Venture Company with "Shandong Greentown" and other Company</i> (Announcement No.: 2020-Temporary 40) disclosed on <i>China Securities Journal</i> , <i>Securities Times</i> and CNINFO (http://www.cninfo.com.cn)
Total	--	--	3,500,000	--	--	--	--	--	--	--	--	--	--	--

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

☑ Available ☐ Not available

Unit: CNY

Project name	Investment mode	Whether belongs to fixed assets investment	Involved sectors of investment projects	Investment amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Project progress	Estimated earnings	Accumulated realized earnings up to the end of the report period	Reasons for unreached planning schedule and estimated earnings	Disclosure date (if have)	Disclosure index (if have)
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	0	1,626,294,100	Owned fund	100%	0	0	—	2017.04.22	Please refer to <i>Resolution Announcement of Seventh Session Board of Directors 4th Meeting, Resolution Announcement of Seventh Session Board of Directors 8th Meeting, Resolution Announcement of Seventh Session Board of Directors 10th Meeting and Resolution Announcement of Eighth Session Board of Directors 4th Meeting</i> disclosed on <i>China Securities Journal, Securities Times</i> and CNINFO
Yantai Changyu International Wine City Bottling Center	Self-constructed	Yes		70,000,000	1,074,200,000	Owned fund	100%	0	0	—	2017.04.22	
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes		0	462,677,200	Owned fund	100%	0	0	—	2017.04.22	
Changyu Vine and Wine Research Institute	Self-constructed	Yes		30,000,000	152,974,800	Owned fund	95%	0	0	—	2017.04.22	
Treasure Wine	Self-constructed	Yes		82,500,000	211,320,000	Owned	90%	0	0	—	2017.04.22	

Chateau	structured					fund							(http://www.cninfo.com.cn/)
Koya Brandy Chateau	Self-constructed	Yes		59,766,500	207,095,500	Owned fund	95%	0	0	—	2017.04.22		
Oak barrel procurement project	Self-constructed	Yes		57,334,200	101,584,200	Owned fund	100%	0	0	—	2020.04.24		
Construction project of supplier relationship management platform and plant maintenance platform	Self-constructed	Yes		2,180,000	2,180,000	Owned fund	100%	0	0	—	2020.04.24		
Total	--	--	--	301,780,700	3,838,325,800	--	--	0	0	--	--	--	

(4) Financial assets investment

① Security investment situation

Available Not available

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

② Derivatives investment

Available Not available

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

(5) The usage situation of raised capital

Available Not available

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

6. Sale of significant assets and equities**(1) Sale of significant assets**

Available Not available

The Company did not sell significant assets during the report period.

(2) Sale of significant equities

Available Not available

7. Analysis of main holding and joint stock companies

Available Not available

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

Unit: CNY

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yantai Changyu Pioneer Wine Sales Co., Ltd.	Subsidiary	Sales	CNY8million	1,068,440,778	45,840,710	2,150,853,496	299,230,186	263,138,669
Yantai Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY5million	489,251,819	469,026,944	820,109,246	120,806,279	90,556,183
Changyu Trading Co., Ltd. in Development Zone of Yantai	Subsidiary	Sales	CNY5million	129,427,513	19,490,622	196,564,868	59,380,545	44,558,165
Laizhou Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY1million	48,349,877	1,000,000	142,475,946	76,291,369	57,219,537

Acquisition and disposal of subsidiaries during the report period

Available Not available

Explanation on main holding and joint stock companies

No

8. Situation of the structured subjects controlled by the Company

Available Not available

9. Expectation for the Company's future development

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

(1) The sector competition pattern and development trend

Affected by the increase in the uncertainty caused by the slowdown of national macroscopic economy growth and other factors, the overall demand of Chinese wine market in 2021 will be still comparatively weak and the wine industry's operating situation will be still severe. At present, the wine consuming group in our country is small and scattered, the family consumption is still in its infancy, the "fragmentization" phenomenon of wine market is serious, and there are very few loyal consumers who can buy wines continuously. With the rise of Chinese e-commerce and Internet generation, the scene and habits of people's consumption in wine continue to change. The mobile terminal media has become an important channel for wine operators to communicate with consumers. It is more difficult to target wine consumers. Whether compared with the per capita consumption of domestic beer and liquor, or compared with the per capita wine consumption of major foreign wine consuming countries, the consumption popularizing rate and penetration rate of Chinese wine in domestic are very low. Although there are some twists and turns during its development period in the short term, seen from the long term, the huge development potential of wine has not changed. China's wine market is likely to show a favorable development trend, especially under the background of the country's emphasis on "accelerating the formation of a new development pattern that focuses on the domestic large-scale cycle and conducts mutual promotion between the domestic and international cycles" and vigorous advocacy in saving food and opposing food waste. In such a case of long-term coexistence of opportunities and challenges, those enterprises that possess strong brand influence and marketing ability, catch the opportunities, actively take adjustments, make full use of newly emerging and traditional sales channels, make efforts to guide and cultivate wine consuming groups, timely satisfy the consumers' demands and provide products with high cost performance will have the opportunity to be the final winner of competitions, and then form a new pattern of the future Chinese wine market.

(2) The Company's development strategy

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

(3) Management plan for the new year

In 2021, the Company will try its best to realize operating revenue of not less than CNY3.8 billion and control the main operating costs and three period expenses below CNY3.1 billion.

(4) Measures to be taken by the Company

In 2021, the Company will be based on the new development stage, implement the new development concept, make scientific response, actively seek change, adhere to reform and innovation, take profit assessment as the pointcut, and fully implement the “Three Focuses” strategy. The Company will make every effort to do following major work in 2021 in order to strive to achieve annual business target.

The first is to continue strengthening the sales system for the three types of alcohol products and vigorously implementing the “Three Focuses” strategy. Regarding domestic wine, the Company will promote the gradual changes in the organizational structure of domestic wines and respectively set up full-time marketing systems for Moser and Rena Castle chateau wine; under the premise of ensuring that the investment does not exceed the budget, change the previous dispersive effort, integrate more investment, strengthen publicity to target consumers, and further focus on strategic brands; respectively select key areas across the country for Moser and Noble Dragon, formulate and implement headquarters-led marketing plans, and concentrate their superior “strength” and “financial resources” to start “War of Annihilation”; sort out the brand tree and focus on product items to make the strategic positioning of each brand clearer; collect specific deposits and strictly carry out price control, control of fleeing goods, and investment management in price difference. Regarding domestic brandy, the Company will focus on Koya brand to build Koya as a strategic brand and build Koya’s 15-year XO to be the core brandy product; integrate most investment resources of brandy variety to accurately focus on high-end target consumers, and carry out marketing activities such as large-scale public relations activities of Koya brand, large-scale product promotion roadshow, tasting activities and Koya chateau tourism experience etc; focus on key cities with relatively developed economies, large market development potentials and certain brandy consumption bases throughout the country, and invest resources to conduct the “War of Annihilation” of Koya brand and achieve the first breakthrough in key cities and then to drive the development of other cities; continue to extend the product profile of Koya brand upwards, develop Koya 30-year XO, Koya 1915 commemorative brandy (50-year-old), Changyu’s 130th anniversary commemorative brandy, new personalized products in cooperation with big enterprises etc, tell good product stories in combination with traditional Chinese cultural elements, and continue to improve Koya’s brand positioning, image and influence; collect specific deposits and strengthen the management in the price, fleeing goods, product identification and anti-counterfeiting of middle-to-high-end products to escort the healthy development. Regarding imported wine, the Company will further focus on key markets, key brands and key customers and continue building Kilikanoon and IWCC as key brands; adhere to the backbone distributor system construction of “one place, one distributor”, and focus on the establishment of relatively independent sales system “joint ventures plus big enterprises”; further concentrate human, financial and material inputs to key markets and target consumers..

The second is to unconventionally promote digital transformation. The Company will firmly grasp the trend of digital development, make great efforts to intensify promotion and strive to achieve extraordinary development through re-innovation; integrate social resources, vigorously promote the cooperation in JD and T-mall business with big enterprises, strengthen cooperation with major

online enterprises on products of individual brand, and develop online distributors for independent brand.

The third is to further strengthen the brand manager system and brand winemaker system. Through further strengthening and iteration, it would better reflect the main responsibility of the brand manager for brand operation and the main responsibility of the chief brand winemaker for product quality. The Company will continue to intensify the rights and responsibilities of each system, strengthen dynamic evaluation and improve the level of brand operation and product quality.

The fourth is to strengthen the construction of talent team and stimulate the vitality of the team. The Company will combine internal training with social recruitment, combine training and self-improvement, actively promote the youth talent plan, establish a talent reserve mechanism for key positions in sales, production, wine making and management, and promote the construction of talent teams to better adapt to future development needs. The Company will also improve and optimize performance appraisal methods to increase the enthusiasm and initiative of all employees.

The fifth is to promote the final shift from planned order to distributor-driven order to make production units focus on ensuring production safety, quality safety and order fulfillment rates as well as improving product quality, and to further reduce inventory and slow-moving risks of finished product .

The sixth is to improve and optimize operation of tourism business and activate resources of various chateaux and the industrial park, so as to increase consumer satisfaction with tourism business to a new level and give more positive energy to the brands.

The seventh is to emancipate the mind and develop new models for rapid development. The Company will continue to promote the development of five innovation groups including Vermouth, sparkling wine, low-alcohol and non-alcohol wine, fruit juice wine and port; innovatively launch membership-based direct sales model for super high-end brands, such as Tinlot, Century-old Cellar, 30-year Koya and 50-year Koya and so on; continue to integrate social resources and take out some independent brands that the Company does not have the energy to develop to cooperate with national enterprises for development through establishing joint ventures.

(5) Potential risks

① Risk 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 quantity and price of the grapes in this Company orders and add the uncertainty to the Company's production and operation. Therefore, the Company will lower the risks that are likely to affect grape quality and result in price fluctuation by means of expanding the self-run vineyards, strengthening the vineyard management and optimizing the layout of vineyards.

② Risk in uncertainty of market input and output

To cope with the cutthroat market competition and to meet the needs for market development, the Company has input more and more capital in the market and the sales expense has taken up a higher percentage point in the business revenue. The input-output ratio will affect the Company's operating results to a great extent and the risk that some investments may not reach the expectations is likely to occur. Therefore, the Company will strengthen market research and analysis, enhance

market forecast accuracy and continue to perfect the input-output evaluation system to ensure the investments in market to be satisfactory as expected.

③ Risk in product transport

The Company's products are fragile and sent to different places all over the world, mostly by sea, railway and expressway. The peak season of sales is usually in cold winter and close to the spring festival when market has a great demand. At that time, the natural and human factors such as serious shortage of transport capacity resulting from busy flow of people and goods, wind, snow, freezing as well as traffic accidents make the transport departments difficult to send products to markets in time and safely. As a result, it makes this Company have to face the risks of missing the peak season of sales. Therefore, the Company will adopt all methods possible like making precise sales prediction and well designed connection of production and sales, reasonably arranging production and transport means and making use of more available warehouses in different places to lower these kinds of risks.

④ Risk in investment faults

The Company invested many projects in the previous periods and the investment amounts were relatively large. For individual project, owing to the influence of various factors, it led to have the risks of facing with the investment amount out of budget or hardly taking back the expected investment earnings. The Company will take an adequate argument and scientific decision-making for investment projects, try hard to reduce and avoid investment risks.

⑤ Risk in exchange rate

The Company's overseas subsidiaries export products to many different countries and the export amount is relatively large. There may be exchange losses or gains due to exchange rate fluctuation.

⑥ Risk in epidemic risk

The Company's products are currently mainly used for people's consumption at gatherings. If the chance of gathering declines due to the epidemic, it may have a greater negative impact on the Company's product sales.

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

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

Available Not available

Reception time	Reception pattern	Type of reception object	Reception object	Main discussed contents and provided data	Basic situation index of reception
December 17 th , 2020	The Company's meeting room	Field research	Hft Investment Management (Haixiao LIU), Oriental Alpha Fund (Zhenbo SUN), Qingdao Four Seasons Investment Management (Weilin YAO, Jun SHI),	Production and operation of the Company	<i>Investor Relations Activation Record Form on December 17th, 2020</i> published on the website of Shenzhen Stock

		Cheng Yang Investment (Yangyang WANG), Tongtai AMC (Yajun BIAN, Jianpei MAI), North Star Asset Management (Junguo JIANG), Lonteng Assets Management (Jin WANG), Haitong Securities (Hongwei WEN), Haitong INT'L (Shiwei HU), Huaizhen Assets (Lei CHEN)	Exchange
Times of reception			1
Number of institution reception			10
Number of individual reception			0
Number of other objects reception			0
Whether to disclose, reveal and leak material nonpublic information	No		

V. Major issues

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

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

Available Not available

Deliberated and passed by the 2019 Shareholders' Meeting convened on May 27th, 2020 by the Company, the Company's 2019 annual profit distribution scheme is shown as follows: based on total 685,464,000 shares (including 453,460,800 A shares and 232,003,200 B shares) up to December 31st, 2019, the Company would pay cash dividend to all shareholders registered on the share registration day: CNY7 (including tax) in cash per ten shares. This time the Company would neither dispatch bonus shares nor increase equity with capital reserve.

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

On July 3rd, 2020, the Company published *the Implementation Announcement of 2019 Annual Equity Distribution* on *China Securities Journal*, *Securities Times* and *www.cninfo.com.cn*, determining that the share registration day and the ex-dividend day of A Share was respectively on July 9th, 2020 and on July 10th, 2020; the last trading day, the ex-dividend day and the share registration day of B Share was respectively on July 9th, 2020, on July 10th, 2020 and on July 14th, 2020.

This time the dispatching objects contain all A Share shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company (hereinafter referred to as CSDC Shenzhen Company) after closing of Shenzhen Stock Exchange in the afternoon of July 9th, 2020 and all B Share shareholders registered at CSDC Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 14th, 2020 (the last trading day is July 9th, 2020).

This dispatching has already been completed in mid-July 2020. The profit distribution scheme implemented this time is consistent with the scheme deliberated and passed by the shareholders' meeting. The implementation of the profit distribution scheme for this time is not more than two months after the shareholders' meeting passing it.

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

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

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

The Company's profit distribution scheme in 2019 was as following: Because the balance of legal earned surplus reserve reached 50% of registered capital, while making profit distribution, the legal earned surplus reserve would not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2019, the Company planed to pay CNY7 (including tax) in cash as dividends for every ten share to the Company's all shareholders, totaling up to CNY479,824,800 accounted for 42.04% of net profits CNY1,141,367,296 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit will be reserved for distribution in the next year.

The Company's profit distribution draft scheme in 2020 is as following: Because the balance of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2020, the Company plans to pay CNY4 (including tax) in cash as dividends for every ten share to the Company's all shareholders, totaling up to CNY274,185,600 accounted for 64.19% of net profits CNY427,160,774 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit will be reserved for distribution in the next year.

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

Unit: CNY

Year of distribution	Amount of cash dividend (including tax)	Net profit belonging to the listed company's shareholders in the consolidated statement of the distribution year	Proportion in the net profit belonging to the listed company's shareholders in the consolidated statement (%)	Amount of cash dividends (eg. shares buy-back) in other ways	Proportion of cash dividends in other ways	Amount of cash dividend (including other ways)	Proportion (including other ways) in the net profit belonging to the listed company's shareholders in the consolidated statement (%)
2020	274,185,600	470,860,587	58.23%	0	0%	274,185,600	58.23%
2019	479,824,800	1,141,367,296	42.04%	0	0%	479,824,800	42.04%
2018	411,278,400	1,042,632,929	39.45%	0	0%	411,278,400	39.45%

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

Available Not available

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

Available Not available

Number of sending bonus shares per ten shares (share)	0
Number of dividend payout per ten shares (CNY) (including tax)	4
The cardinal number of the capital stocks for the preliminary distribution scheme (share)	685,464,000
Total cash dividend distribution (CNY) (including tax)	274,185,600
Amount of cash dividends (eg. shares buy-back) (CNY) in other ways	0
Total cash dividend distribution (CNY) (including other ways)	274,185,600
Attributable profit (CNY)	470,860,587
The proportion of cash dividend distribution in the total profit distribution(including other ways)	100

Cash dividend distribution this time

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

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

According to the audit result from KMPG Huazhen LLP, the net profit belonging to the parent company's stockholders in the consolidated statement in 2020 is CNY470,860,587 and the net profit of the parent company in financial statement in 2020 is CNY427,160,774. According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company in 2020 as following:

Unit: CNY

	Consolidation	Parent company
Undistributed profits at the end the year	8,714,091,755	8,567,313,551
Including: net profits in 2020	470,860,587	427,160,774
Undistributed profit carried forward of the beginning of the year	8,735,513,044	8,619,977,577
Distribution of 2019 dividends	492,281,876	479,824,800
Withdrawal legal surplus reserve	0	0

According to regulation of 157th item in the *Articles of Association*, which is that "the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the last three years is not less than 30% of the yearly average distributable profit to be realized in the last three years". Meanwhile, considering the large amount on the capital expenditure in 2021, under the condition of not

influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2020 as following:

Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2020, the Company plans to pay CNY4 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY274,185,600 accounted for 64.19% of net profits CNY427,160,774 attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit will be reserved for distribution in the next year.

The cash dividend distributed to shareholders of domestic listed foreign shares (B share) is paid in HKD converted based on the middle rate between CNY and HKD issued by the People's Bank of China on the first working day after the resolution date of 2020 shareholders' meeting.

3. Implementation of commitments

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

Available Not available

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

refinancing			to Yantai Changyu Group Co., Ltd. every year is mainly used for advertising Changyu and other trademarks and this contract products by Yantai Changyu Group Co., Ltd.			trademarks including Changyu and contract products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has been performing its commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company	Yantai Changyu Group Co.,Ltd.	Compensating unredeemed commitment	The CNY231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.	April 4 th , 2019	From April 4 th , 2019 to December 31 st , 2023	Has been performing
Commitment under timely implementation or	Yes					

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

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

Available Not available

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

Available Not available

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

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

Available Not available

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

Available Not available

On July 5th, 2017, the Ministry of Finance issued the Notice on Amendment and Issuance of Accounting Standard for Business Enterprises No.14-Revenue (Caikuai [2017] No.22), which required enterprises simultaneously listing both in domestic and overseas and enterprises that listed at abroad and adopted International Financial Reporting Standards or Enterprise Accounting Standards to prepare financial statements shall implement this new accounting policy from January 1st, 2018; other enterprises listing in domestic shall implement this new accounting policy from January 1st, 2020; non-listed enterprises implementing enterprise accounting standards shall implement this new accounting policy from January 1st, 2021. Due to the revision of above accounting standards, the company needs to adjust the relevant accounting policies originally adopted accordingly.

According to above-mentioned regulation of relevant standards and notice of Ministry of Finance, this company will implement the new revenue standard from January 1st, 2020.

This change of accounting policy is carried out by the Company in accordance with the relevant regulations and requirements issued by the Ministry of Finance. The accounting policy after change could objectively and fairly reflect the Company's financial situation and operating results, in compliance with relevant laws and regulations and the Company's actual situation. This change of accounting policy will not have a significant impact on the Company's financial status, operating results and cash flow, nor will there be any damage to the Company and shareholders' interests.

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

Available Not available

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

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

Available Not available

For details of the the changes of the consolidated statements scope this year, please refer to Note 6: "Change in consolidation scope" to the financial report of this report .

9. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	KPMG Hua Zhen LLP
Remuneration for domestic accounting firm (CNY'0000)	195
Consecutive period for the audit service of domestic accounting firm	2
Name of certified public accountant for the audit service of domestic accounting firm	Ms. Wang Ting, Ms. Chai Jing
Consecutive period for the certified public accountant's audit	2

service of domestic accounting firm	
Overseas accounting firm name (if have)	—
Remuneration for overseas accounting firm (CNY‘0000) (if have)	0
Consecutive period for the audit service of overseas accounting firm(if have)	—
Name of certified public accountant for the audit service of overseas accounting firm(if have)	—
Consecutive period for the certified public accountant’s audit service of overseas accounting firm (if have)	—

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

Yes No

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

Available Not available

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

Available Not available

11. Bankruptcy reorganization

Available Not available

There is no bankruptcy reorganization during the report period.

12. Material litigation and arbitration

Available Not available

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

13. Penalty and rectification

Available Not available

There are no penalty and rectification during the report period

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

Available Not available

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

Available Not available

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

16. Significant related transactions

(1) Related transactions in relation to daily operations

Available Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY'0000)	Proportion accounting for amount of similar transactions	Approved transaction quota (CNY'0000)	Whether exceed approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
Yantai Shenma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and commission processing	Purchase and commission processing packing materials	Agreement pricing	Determined by agreement	7,852	6.70%	10,200	No	Cash	No	April 24 th , 2020	<i>Announcement on 2020 Annual Routine Related Transaction disclosed in China Securities Journal, Securities Times and CNINFO in 2020</i>
Total				--	--	7,852	--	10,200	--	--	--	--	--
Details of the return of large sales				No									
Actual performance of the estimated total amount for daily operations related transactions by category that will occur during this period. (if have)				No									
Reason for the deference between transaction price and market reference price(if available)				Not available									

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

Available Not available

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

(3) Related transactions in relation to common foreign investment

Available Not available

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

(4) Related current credit and debt transactions

Available Not available

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

Yes No

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

(5) Other major related transactions

Available Not available

For other major related transactions, please refer to the Section X “ Related Parties and Related Transaction” of the Financial Report of this report.

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 Transferring Full Equity of Yantai Changyu Cultural Tourism Development Co., Ltd. as Transferee</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

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

Available Not available

There is no trusteeship situation during the report period.

② Contract situation Available Not available

There is no contract situation during the report period.

③ Leasehold situation Available Not available

There is no leasehold situation during the report period.

(2) Major guarantee Available Not available**① Guarantee situation**

Unit: CNY'0000

External guarantee of the Company and its subsidiaries (excluding guarantee to subsidiaries)								
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Economic and Technological Development Zone Management Council.	2016.12.22	34,160	2016.12.21	34,160		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 by the end of the report period (A3)				34,160	Balance of the actual external guarantee by 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	Yes
Kilikanoon Estate	2018.12.05	8,528	2018.12.13	7,518	Joint	5 year	No	Yes

Pty Ltd					liability assurance			
Total of the guarantee quota approved to subsidiaries during the report period (B1)			0	Total of the actual guarantee amount for subsidiaries during the report period (B2)				0
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)			80,704	Balance of the actual guarantee for subsidiaries by the end of the report period (B4)				79,694
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 guarantee quota approved 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 guarantee quota approved to subsidiaries by 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 by the end of the report period (A3+B3+C3)			114,864	Balance of the actual guarantee by the end of the report period (A4+B4+C4)				113,854
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset				11.09%				
Among :								
The amount of guarantee for shareholders, actual controllers and their related parties (D)				0				
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly (E)				0				
Total amount of guarantee of the part that exceeds 50% of net assets (F)				0				
Total amount of the above-mentioned three items (D+E+F)				0				

Explanation for undue guarantees that have happened warranty liability or may take joint payback liabilities during the report period (if have)	No
Explanation for violating due process to provide external guarantee (if have)	No

② Illegal external guarantee

Available Not available

There is no illegal guarantee situation during the report period.

(3) Entrusting others to manage cash assets

① Financial management entrustment

Available Not available

There is no financial management entrustment during the report period.

② Loan entrustment

Available Not available

There is no loan entrustment during the report period.

(4) Major contracts for daily operations

Available Not available

(5) Other important contracts

Available Not available

There are no other important contracts during the report period.

18. Social Responsibility

(1) Social responsibility performance

Please refer to *2020 Annual Social Responsibility Report* disclosed on *Securities Times*, *China Securities Newspaper* and www.cninfo.com.cn by the Company.

(2) Targeted poverty alleviation social responsibility performance

① Targeted poverty plan

The Company has counterpart supported to Huangchengyang village in Longkou City, an old revolutionary base area, to purchase local agricultural products such as apples and millet, to help solve the problem of slow sales.

② Summary of annual targeted poverty

The Company has completed the 2020 annual targeted poverty work.

③ Targeted poverty effectiveness

Index	Unit of measurement	Quantity/Implementation
I. Overall Situation	---	---
Among which: 1. Capital	CNY'0000	54
II. Itemized Investment	---	---
1. Industrial development to poverty alleviation	---	---
2. Transfer employment to poverty alleviation	---	---
3. Relocation of impoverished residents to poverty alleviation	---	---
4. Educational poverty alleviation	---	---
5. Health poverty alleviation	---	---
6. Ecological protection to poverty alleviation	---	---
7. Threshold Guarantee	---	---
8. Social poverty alleviation	---	---
8.2 Amount of investment in targeted poverty alleviation	CNY'0000	54
9. Other projects	---	---
III. Awards (content and level)	---	---

④ Subsequent targeted poverty plan

The Company will continue to purchase local agricultural products such as apples and millet from Huangchengyang village in Longkou City to help solve the problem of slow sales.

(3) Environmental protection related situation

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

Yes No

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, waster water, noise	Discharge outlet of boiler chimney and discharge outlet of factory waste water	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 Industrial Enterprises</i> (GB12348-2008), <i>Comprehensive Wastewater Discharge Standard of Liaoning Province</i> (DB21/1627-2008)	35m3/d	120m3/d	No

Construction and operation of pollution prevention facilities

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

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

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

Emergency plan for emergent environmental incident

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

Environmental self-monitoring program

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

Other environmental information that should be made public

No

Other related environmental information

No

19. Other Major issues

Available Not available

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

20. Major issues of Company's subsidiaries

Available Not available

VI. Changes in Shares and the Shareholders' Situation

1. Changes in shares

(1) Changes in shares

Unit: share

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	Others	Subtotal	Amount	Percentage %
I. Shares with trading limited condition									
1. State-owned holdings									
2. State-owned legal person holdings									
3. Other domestic holdings									
Among which: domestic legal person									
domestic natural person									
4. Foreign-owned holdings									
Among which: foreign legal person									
foreign natural person									
II. Shares without trading limited condition	685,464,000	100.00%						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%
3. Oversea listed foreign shares									
4. Others									
III. Total shares	685,464,000	100.00%						685,464,000	100%

Cause of share change

Available Not available

Approval of share change

Available Not available

Transfer ownership of changed shares

Available Not available

Implementation progress of share buy-back

Available Not available

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

Available Not available

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

Available Not available

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

Available Not available

(2) Changes in restricted shares

Available Not available

2. Securities issuance and listing situation**(1) Securities issuance (exclude preferred share) during report period**

Available Not available

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

Available Not available

(3) Current internal employee shares

Available Not available

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

Unit: share

Total shareholders in the report period	49,043	Total number of shareholders by the end of last month before the disclosure day of the annual report	53,529	Total number of preferred shareholder recovering voting power by the end of report period (if have) (see note 8)	0	Total number of preferred shareholder recovering voting power by the end of last month before the disclosure day of the annual report (if have) (see note 8)	0	
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO., LTD.	Domestic non-state legal person	50.40%	345,473,856	0		345,473,856		
GAOLING FUND, L.P.	Foreign legal person	3.08%	21,090,219	0		21,090,219		
CHINA SECURITIES FINANCE CORP	State legal person	2.08%	14,275,705	-1,165,089		14,275,705		

BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	1.77%	12,160,726	-3,081,100		12,160,726		
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.20%	8,231,733	-11,600		8,231,733		
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6,350,762	0		6,350,762		
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.80%	5,481,945	671,600		5,481,945		
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.69%	4,741,787	2,032,092		4,741,787		
CENTRAL HUIJIN ASSET MANAGEMENT LIMITED	State legal person	0.69%	4,761,200	0		4,761,200		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.56%	3,808,449	19,962		3,808,449		
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note 3)	No							
The explanation for the associated relationship and accordant action	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, while the relationship among the other shareholders is unknown.							
Explanation of the above-mentioned shareholders' entrustment/ fiduciary voting rights and waiver of the voting rights	No							
The top 10 shareholders with shares without trading limited condition								
Name of Shareholders	Number of shares without trading limited condition held until the end of the year	Type of share						
		Type of share	Amount					
YANTAI CHANGYU GROUP CO., LTD.	345,473,856	A	345,473,856					
GAOLING FUND, L.P.	21,090,219	B	21,090,219					
CHINA SECURITIES FINANCE CORP	14,275,705	A	14,275,705					
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	12,160,726	B	12,160,726					

SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	8,231,733	B	8,231,733
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B	6,350,762
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	5,481,945	B	5,481,945
Haitong International Securities Company Limited-Account Client	4,741,787	B	4,741,787
CENTRAL HUIJIN ASSET MANAGEMENT LIMITED	4,761,200	A	4,761,200
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,808,449	B	3,808,449
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business	The top 10 shareholders do not involve in financing activities and stock trade business.		

Whether or not the Company's top 10 common shareholders and shareholders with shares without trading limited condition take agreed repurchase trading during the report period

Yes No

There is no agreed repurchase trading taken by the Company's top 10 common shareholders and shareholders with shares without trading limited condition during the report period.

(2) Situation for the controlling shareholders of the Company

Property of holding shareholders: Property of holding main body undefined

Type of holding shareholders: Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Yantai Changyu Group Co., Ltd.	Zhou Hongjiang	1997.04.27	913706002656458244	Production of wine, healthy liquor, distilled liquor and

				beverages(only produced by subsidiaries, shareholding companies and branches), sales of the above-mentioned products, cultivation of agricultural products and export business under the scope of permission.
Equity situation for the other domestic listed companies controlled or shared by the controlling shareholders during the report period		No.		

Changes in the controlling shareholder during the report period

Available Not available

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

(3) Situation for the actual controllers of the Company an its persons acting in concert

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

Type of actual controllers: Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Main business
Yantai Yuhua Investment & Development Co., Ltd.	Jiang Hua	2004.10.28	76779294-7	Under state permission, property investment, tenancy of machine and facility, wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electronical products, grape plantation.
ILLVA Saronno Holding S.p.a.	Augusto Reina	1984.07.25	—	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and service activities of any other kinds through joint-stock companies and organizations.
International Finance Corporation	Philippe LE HOUEROU	1956.07.25	—	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation service. The corporation is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people's life.

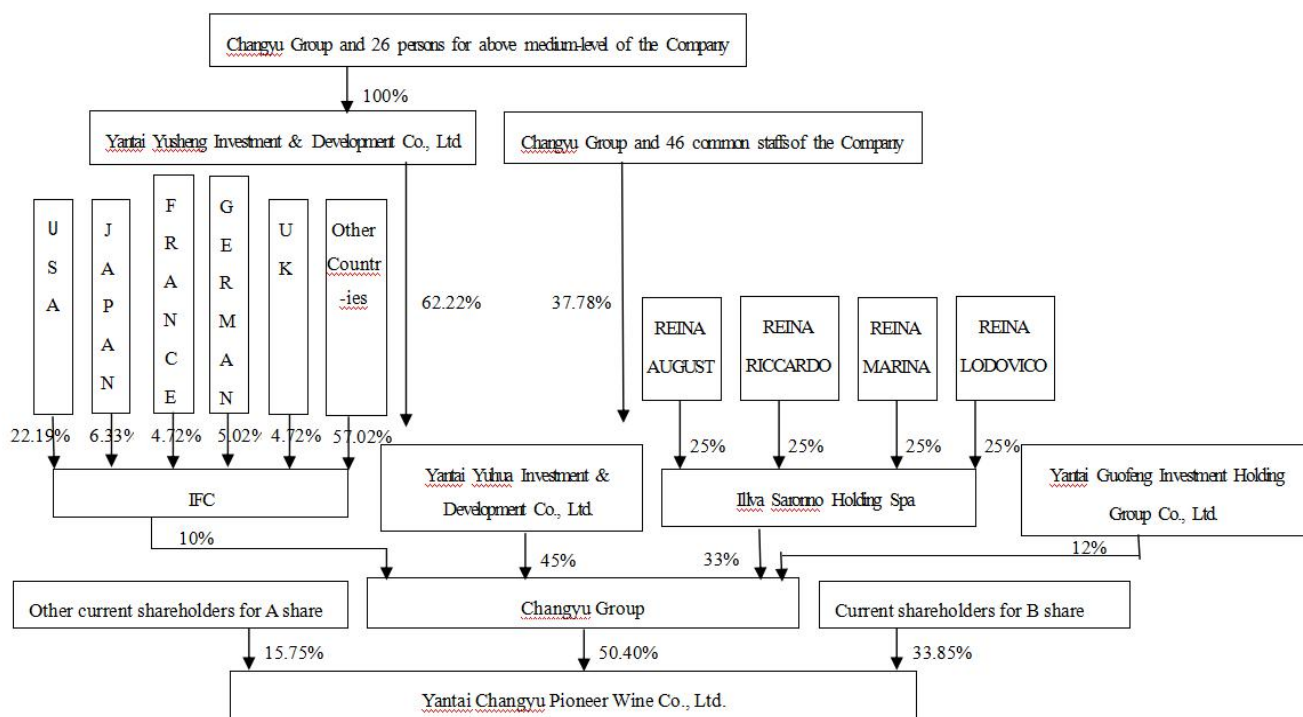
Yantai Guofeng Investment Holdings Group Co., Ltd.	Rong Feng	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government. (Projects need to be authorized in accordance with the law could carry out business activities only after the approval of relevant departments)
Equity situation for the other domestic listed companies controlled by the actual controller during the report period	Yantai Yuhua Investment & Development Co., Ltd. did not control the equity of other domestic and foreign listed companies except the Company during the reporting period; It is not clear that other actual controllers control the equity of other domestic and foreign listed companies other than the Company during the reporting period.			

Changes of the actual controllers during the report period

Available Not available

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

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



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

Available Not available

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

Available Not available

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

Available Not available

VII. Related Situation of Preferred Shares

Available Not available

There are no preferred shares during the report period.

VIII. Related Situation of Convertible Corporate Bonds

Available Not available

There are no convertible corporate bonds during the report period.

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

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

Name	Post	Status	Gender	Age	Beginning date of tenure	Ending date of tenure	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Other changes of shares held	Shares held at the end of the period
Zhou Hongjiang	Chairman	Incumbent	M	56	2002.05.20	2022.05.18	0	36,500	0	0	36,500
Leng Bin	Director	Incumbent	M	58	2000.08.22	2022.05.18	0	0	0	0	0
Sun Jian	Director	Incumbent	M	54	2019.05.17	2022.05.18	0	30,000	0	0	30,000
Li Jiming	Director	Incumbent	M	54	2019.05.17	2022.05.18	0	0	0	0	0
Chen Dianxin	Director	Incumbent	F	54	2019.05.17	2022.05.18	0	0	0	0	0
Augusto Reina	Director	Outgoing	M	79	2006.12.07	2020.02.20	0	0	0	0	0
Aldino Marzorati	Director	Incumbent	M	68	2006.12.07	2022.05.18	0	0	0	0	0
Stefano Battioni	Director	Incumbent	M	62	2020.05.27	2022.05.18	0	0	0	0	0
Enrico Sivieri	Director	Incumbent	M	52	2019.05.17	2022.05.18	0	0	0	0	0
Wei Anning	Director	Outgoing	M	57	2017.06.15	2020.05.11	0	0	0	0	0
Chiang Yun	Director	Incumbent	F	53	2020.06.19	2022.05.18	0	0	0	0	0
Wang Zhuquan	Independent director	Outgoing	M	55	2014.05.23	2020.05.27	0	0	0	0	0
Luo Fei	Independent director	Incumbent	M	68	2016.09.23	2022.05.18	0	0	0	0	0
Duan Changqing	Independent director	Incumbent	M	56	2019.05.17	2022.05.18	0	0	0	0	0
Liu Huirong	Independent director	Incumbent	F	57	2019.05.17	2022.05.18	0	0	0	0	0
Liu Qinglin	Independent director	Incumbent	M	57	2019.07.02	2022.05.18	0	0	0	0	0
Yu Renzhu	Independent director	Incumbent	M	42	2020.05.27	2022.05.18	0	0	0	0	0
Kong Qingkun	Chairman of the Board of Supervisors	Incumbent	M	48	2013.05.14.	2020.05.18	0	0	0	0	0
Zhang Lanlan	Supervisor	Incumbent	F	51	2013.05.14.	2020.05.18	0	0	0	0	0
Liu Zhijun	Supervisor	Incumbent	M	40	2016.05.26	2020.05.18	0	0	0	0	0

Sun Jian	General manager	Incumbent	M	54	2018.01.10	2022.05.18	0	0	0	0	0
Li Jiming	Deputy general manager	Incumbent	M	54	2019.05.28	2022.05.29	0	0	0	0	0
Jiang Hua	Deputy general manager	Incumbent	M	57	2001.09.14	2022.05.29	0	0	0	0	0
Peng Bin	Deputy general manager	Incumbent	M	54	2018.01.10	2022.05.29	0	0	0	0	0
Jiang Jianxun	Deputy general manager and Board secretary	Incumbent	M	54	2019.05.28	2022.05.29	0	0	0	0	0
Pan Jianfu	General manager assistant	Incumbent	M	45	2018.04.19	2022.05.29	0	0	0	0	0
Liu Shilu	General manager assistant	Incumbent	M	46	2018.04.19	2022.05.29	0	0	0	0	0
Xiao Zhenbo	General manager assistant	Incumbent	M	44	2018.04.19	2022.05.29	0	0	0	0	0
Total	--	--	--	--	--	--	0	66,500	0	0	66,500

2. 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	Died of illness
Stefano Battioni	Director	Be elected	2020.05.27	Be elected as a director
Wei Anning	Director	Outgoing	2020.05.11	Resigns as a director for personal reasons
Chiang Yun	Director	Be elected	2020.06.19	Be elected as a director
Yu Renzhu	Independent director	Be elected	2020.05.27	Be elected as an independent director
Wang Zhuquan	Independent director	Outgoing	2020.05.27	Resigns as an independent director for personal reasons

3. Situation for work experience

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

(1) Members of Board of Directors

Mr. Zhou Hongjiang, male, 56, Chinese, with doctoral degree, senior engineer, used to be the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd., the Deputy General Manager, the General Manager and the Deputy Chairman of Yantai Changyu Pioneer Wine Co., Ltd.. He is incumbent as the representative of the 13th National People's Congress, the Chairman of Yantai Changyu Group Co., Ltd., and the board director and the Chairman of the Company.

Mr. Leng Bin, male, 58, Chinese, with master degree, senior accountant, used to be the Deputy Section Chief and the Section Chief of Yantai Audit Bureau, the board director and the Chief Accountant of Yantai Changyu Group Co., Ltd. and the board director and the Deputy General Manager of the Company. He is incumbent as the board director of the Group Company and the Company, with an additional post of the General Manager of the Group Company, and the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd..

Mr. Sun Jian, male, 54, Chinese, MBA, used to be the Deputy General Manager of the Company. He is incumbent as the board director and the General Manager of the Company, and with an additional post of the board director of the Group Company.

Mr. Li Jiming, male, 54, Chinese, with doctoral degree, application researcher, used to be the Chief Engineer of the Company. He is incumbent as the board director and the Deputy General Manager of the Company, and with an additional post of the board director of the Group Company.

Mrs. Chen Dianxin, female, 54, Chinese, with master degree of the Party School; from July 1985 to September 2013, she successively served as staff of Yantai Chemical Purchasing and Supply Station, Yantai Bureau of Commerce for secondment, staff of Yantai Stated-owned Assets Assessment Center, the Deputy Director of Yantai Stated-owned Assets Assessment Center, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Bureau, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Supervision and Administration Commission, full-time Deputy Secretary of Party branch in Yantai State-owned Assets Supervision and Administration Commission, the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission. From September 2013 to February 2014, she served as the Director of retired carders work office and the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission. From February 2014 to October 2018, she served as the Director of retired carders work office in Yantai State-owned Assets Supervision and Administration Commission (During the period, she successively and concurrently served as the Director of Yantai Moon Group Co., Ltd. and Yantai Moon Co., Ltd., director of Yantai Tayho Advanced Materials Group Co., Ltd., the Chairman of Yantai Guofeng Investment Holding Group Co., Ltd., the Chairman and the General Manager of Yantai Guosheng Investment Holding Co., Ltd., the Chairman of Yantai Guoxin Investment Holding Co., Ltd., the Vice Chairman and the Director of Yantai CIMC Raffles Offshore Co.,

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

Mr. Aldino Marzorati, male, 68, Italian, with bachelor degree, serves currently as the General Manager of Illva Saronno Holding S.p.A, the member of the board of directors of some branches under the Group Company, and the board director of Changyu Group Co., Ltd. and the Company.

Stefano Battioni, male, 62, Italian, graduated with a bachelor's degree. He has served as a Senior Product Manager of Colgate Palmolive in Italy, the Marketing Director of Barilla Holding, the International Marketing Director and the Spirits Business Unit Director-General Manager of Illva Saronno S.p.A. (a spirit company as a wholly-owned subsidiary of Illva Saronno Holding S.p.A.). He is currently the CEO of Illva Saronno S.p.A. and the board director of Changyu Group Co., Ltd. and the Company.

Mr. Enrico Sivieri, male, 52, Italian, with bachelor degree, served successively as the financial controller of ARNEG S.p.a., the commercial analyst of SPILLERS FOODS ITALIA S.p.a., the trade controller of Nestle' Purina Petcare Europe, European marketing & sales controller of Nestle' Purina Petcare Europe, the European supply chain controller of Nestle' Purina Petcare Europe, the Southern Europe regional controller of Nestle' Purina Petcare Europe and the Director of group financial controlling of Illva Saronno Holding S.p.A., and currently serving as a member of the board of directors for Royal Oak Distillery Ltd. and the General Manager of Illva Saronno Holding S.p.A., and the board director of the Company.

Ms. Chiang Yun, female, 53, successively obtained Bachelor of Science degree Magna Cum Laude from Virginia Tech, Virginia, EMBA of The Kellogg School of Management at North Western University, USA and EMBA of The Graduate School of Management, Hong Kong University of Science and Technology, Hong Kong, China. She used to acted as Director at American International Group (AIG) direct investment team, the Managing Partner of Pacific Alliance Group (PAG). She currently serves as the INED and member of Audit Committee and Nomination Committee in Las Vegas Sands China, the INED and member of Audit Committee, Remunerations Committee and Nomination Committee in Goodbaby International Holding Ltd., the INED, member of Audit Committee and Nomination Committee and Chairlady of Remunerations Committee in Pacific Century Premium Developments Ltd., the INED and member of Audit Committee and Health, Safety and Security Committee in Merlin Entertainments plc., the CEO and Founding Partner of Prospere Capital, and the board director of the Group Company and the Company.

Mr. Luo Fei, male, 68, Chinese, with doctoral degree, visiting scholar of University of Toronto, doctoral supervisors, Government Special Allowance expert, first batch of trans-century subject (academic) leading personals of Financial Department. He successively served as the Dean of Accounting Institute in Zhongnan University of Economics and the Dean of Accounting Institute in Zhongnan University of Economics and Law. He focuses on the study of Financial Accounting, Cost Accounting, Financial Management, and so on. He has worked in companies for many years and has practical working experience with companies. Now he is serving as an independent director of the Company.

Mr. Duan Changqing, male, 56, Chinese, with doctoral degree, professor, doctoral and master's supervisor, and the national senior winemaker and senior wine taster. He currently

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

Ms. Liu Huirong, female, 57, Chinese, with doctoral degree, the former Deputy Dean and Dean of the Institute of Political Science and Law of Ocean University of China. She used to serve as an independent director of Sailun Group Co., Ltd., Longda Meat and Sacred Sun Co., Ltd. and Shandong Sacred Sun Power Sources Co., Ltd.. Currently, she is a second-level professor and doctoral supervisor of Ocean University of China and with additional post as a researcher of the “Belt and Road Initiative” Judicial Research Center of the Supreme People’s Court, an expert at the Supreme People’s Court for foreign-related commercial and maritime action expert database, the Deputy Chairman of the sixth Shandong Law Society and the Deputy Director of the Academic Committee, and the Chairman of the Qingdao Law-based Government Research Institute. Her research fields are International Law and Legislative Science. She has won the title of *Shandong Top Ten Outstanding Young and Middle-aged Jurists*, the third prize of *Excellent Social Science Achievement of the Ministry of Education*, the third prize of *Shandong Excellent Social Science Achievement*, the second prize of *Shandong Excellent Philosophy and Social Science Achievement*, the first prize of *Excellent Achievement of Shandong Education Department* and the *Top Talent in Qingdao City*. She is a current an independent director of the Company.

Mr. Liu Qinglin, male, 57, doctoral degree of Management, Chinese, no overseas permanent residence. He is currently a professor and doctoral supervisor of Economics Faculty of Shandong University, the Director of Institute for World Economy Studies of Shandong University, the Executive Deputy President of Shandong Institute of Development of Shandong University, a member of a council of China Society of World Economics, an executive member of a council of The Association for Canadian Studies in China and Shandong Youth Scholars Association, a member of a council of Shandong Association for Business Economics and Shandong Price Association. He currently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd., an independent director of Weihai Huadong Automation Co., Ltd., and an independent director of the Company.

Mr. Yu Renzhu, male, 42 years old, Chinese, with graduate degree (doctoral degree in management science), used to act as the Deputy Director of Huanglong National Scenic Area Administration in Aba prefecture of Sichuan province as a member of the 18th doctoral team of the Central Organization Department and the Communist Youth League of China. Currently, he serves as a professor and a master supervisor in School of Business Administration in Shandong University of Finance and Economics, and an independent director of the Company.

(2) Members of board of supervisors

Mr. Kong Qingkun, male, 48, Chinese, MBA and economist, successively served as a section member of production department in the healthy liquor branch office, a clerk and the Deputy Director and the Director of general manager office.

Ms. Zhang Lanlan, female, 51, bachelor degree and economist, successively served as the Deputy Manager of the import and export branch of the Company and the Manager of import department of the Company. She now is the Director of board of directors' office.

Mr. Liu Zhijun, male, 40, Chinese, bachelor degree, worked in foreign fund department of Economy and Trade Bureau in Longkou Economic Development Zone, served as a news section member of propaganda department in Longkou Municipal Committee, a member of propaganda and mass work section, a member of planning section, the Deputy Director Member of programming development and enterprise distribution section, the Deputy Director Member and the Deputy Chief of programming development section. He now is a supervisor of the Company.

(3) Other senior executives

Mr. Jiang Hua, male, 57, Chinese, with master degree, senior engineer, has been serving as the Deputy General Manager of the Company since 14th September, 2001.

Mr. Peng Bin, male, 54, MBA, senior engineer, ever successively served as the Department Chief of Technical Transformation Department and the Minister of Investment and Development Department as well as the Deputy General Manager of Yantai Changyu Group Co., Ltd. and the General Manager Assistant of Yantai Changyu Group Co., Ltd.. He currently serves as the Deputy General Manager of the Company.

Mr. Jiang Jianxun, male, 54, Chinese, MBA and accountant, served as the Financial Manager of the Company from 20th May, 2002 to 10th January, 2018. He serves as the Deputy General Manager and Board Secretary of the Company.

Mr. Pan Jianfu, male, Han ethnic, Chinese, 45, MBA and senior economist, used to serve as the General Manager of the Jiangxi Branch of the Company, the General Manager of the Shanghai marketing management company and the General Manager of Beijing marketing management center. Currently, he is the General Manager Assistant of the Company and the General Manager of Beijing marketing management center and Beijing Chateau AFIP.

Mr. Liu Shilu, male, Han ethnic, Chinese, 46, master degree, used to be the Manager of Tianjin branch of the Company, the Competence Manager of North China market, the General Manager of Beijing marketing management company, the General Manager of Guangdong marketing management center and the General Manager of e-commerce branch of the Company. Currently, he serves as the General Manager Assistance of the Company and the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd..

Mr. Xiao Zhenbo, male, Han ethnic, Chinese, 44, MBA, served as the Deputy Manager of the Company's market strategy development center, the General Manager of Shandong marketing management company and Yantai Changyu liquor company. He currently serves as the General Manager Assistant of the Company and the General Manager of Zhejiang marketing management company.

Post in the shareholder's company

Available Not available

Name	Shareholder's Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder's company or not
Zhou Hongjiang	Yantai Changyu Group Co., Ltd.	Chairman	2018.01.10	2022.01.11	No
Leng Bin	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	Yes
Leng Bin	Yantai Changyu Group Co., Ltd.	General manager	2018.01.10	2022.01.11	Yes
Sun Jian	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Li Jiming	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Chen Dianxin	Yantai Changyu Group Co., Ltd.	Director	2018.11.15	2022.01.11	No
Aldino Marzorati	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Enrico Sivieri	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2022.01.11	No
Stefano Battioni	Yantai Changyu Group Co., Ltd.	Director	2020.04.09	2022.01.11	No
Chiang Yun	Yantai Changyu Group Co., Ltd.	Director	2020.05.12	2022.01.11	No
Explanation for the post in the shareholder's company	Mr. Leng Bin also holds concurrent post as the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd., which is a subsidiary of Yantai Changyu Group Co., Ltd..				

Post at other companies

Available Not available

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

Available Not Available

In 2019, the Shandong Regulatory Bureau of China Securities Regulatory Commission issued a "Decision on Measures to Issue Warning Letters to Mr. Zhou Hongjiang and Mr. Qu Weimin", but it did not impose administrative penalty on Mr. Zhou Hongjiang and Mr. Qu Weimin.

4. Salary of directors, supervisors and senior executives

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

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

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

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the Company before tax	Whether get reward from related parties of the Company
Zhou Hongjiang	Chairman	M	56	Incumbent	76.05	No
Leng Bin	Director	M	58	Incumbent	0	Yes
Sun Jian	Director and General Manager	M	54	Incumbent	69.64	No
Li Jiming	Director and Deputy General Manager	M	54	Incumbent	54.93	No
Chen Dianxin	Director	F	54	Incumbent	0	No
Augusto Reina	Director	M	79	Outgoing	0	No
Aldino Marzorati	Director	M	68	Incumbent	0	No
Stefano Battioni	Director	M	62	Incumbent	0	No
Enrico Sivieri	Director	M	52	Incumbent	0	No
Wei Anning	Director	M	57	Outgoing	0	No
Chiang Yun	Director	F	53	Incumbent	0	No
Luo Fei	Independent Director	M	68	Incumbent	8	No
Duan Changqing	Independent Director	M	56	Incumbent	8	No
Liu Huirong	Independent Director	F	57	Incumbent	8	No
Wang Zhuquan	Independent Director	M	55	Outgoing	4	No
Liu Qinglin	Independent Director	M	57	Incumbent	8	No
Yu Renzhu	Independent Director	M	42	Incumbent	6	No
Kong Qingkun	Chairman of the Board of Supervisors	M	48	Incumbent	35.07	No
Zhang Lanlan	Supervisor	F	51	Incumbent	18.56	No
Liu Zhijun	Supervisor	M	40	Incumbent	0	No
Jiang Hua	Deputy General Manager	M	57	Incumbent	83.79	No
Peng Bin	Deputy General Manager	M	54	Incumbent	60.02	No
Jiang Jianxun	Deputy General Manager and Board Secretary	M	54	Incumbent	55.41	No
Pan Jianfu	General Manager Assistant	M	45	Incumbent	45.49	No
Liu Shilu	General Manager Assistant	M	46	Incumbent	50.36	No
Xiao Zhenbo	General Manager Assistant	M	44	Incumbent	44.85	No
Total	--	--	--	--	636.17	--

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

Available Not available

5. Staff of the Company

(1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company (people)	1,205
Incumbent staff number of major subsidiary companies (people)	1,355
Total incumbent staff (people)	2,560
Total staff getting paid in current period (people)	2,560
Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people)	0
Specialty constitution	

Category	Number of people (people)
Production staff	849
Sales staff	1,221
Technical staff	159
Financial staff	145
Administrative staff	186
Total	2,560
Education degree	
Category	Number (People)
Bachelor and above	927
Junior College	845
Technical secondary school	459
Senior high school and below	329
Total	2,560

(2) Remuneration policy

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

(3) Training plan

① Senior and Middle-level Managers

1) General training

Choosing training topics related to the company industry development, management direction and management concept in order to exploit strategic thinking of senior and middle-level administrative staff, promoting operation principle, and improving scientific decision-making ability and management ability.

Holding meetings instead of training, through which they could learn national and local policy, analyze domestic and foreign political situation and economic situation, study and understand the influence of related policies and regulations in the company’s development, analyze the development trend of production, technology, management and marketing in domestic and foreign industries.

2) Professional training

Senior and middle-level administrative staff should confirm self-learning books by self-selection every year, and submit reader response at the end of the year and make suggestions in the company’s development on the basis of their own work.

Based on their respective work, organizing them to attend Entrepreneur High-end Forum and Summit Meeting and go to domestic and foreign successful enterprise for visit and study.

Encouraging middle-level administrative staff to attend university correspondence, self-study examination, MBA or other further education for master degree; organizing professional management cadres, involved in human resources, finance, facility, safety and technology quality etc., to attend vocational qualification examination for professional certificate.

Attending special training such as safety, human resource, law, technology, facility, finance and tourism etc. which are organized by special management department.

② Administrative Staff in Production, Tourism and Administrative Systems Whose Level are or Below Section Chief

1) General training

Setting courses that are aiming at improving employee management ability, innovation ability and executive ability, and hiring a professional lecturer or university teacher to teach at the company

Attending common-sense general training including company culture, regulatory framework and various liquor products knowledge, reinforce training in the aspect of human resource management and safety production.

Organizing employee to attend outdoor quality expansion training in order to improve administrative staff physical quality and teamwork ability.

2) Professional training

Professional leaders with specific duties would choose books for general administrative staff for self-study during the year; general administrative staff should submit reader response at the end of the year and make suggestions in the company's development on the basis of their own work.

Encouraging eligible general administrative staff to attend university correspondence, self-study examination, MBA or other further education for master degree; organize professional administrative staff, involved in human resources, finance, facility, safety and technology quality etc., to attend vocational qualification examination for professional certificate.

Based on personnel work, attending special training such as safety, technology, facility, finance, human resource, legal, tourism, sales and integrated management etc., which are organized by special management department.

③ Front-line Workers in Production and Tourism System

1) General training

Attending common-sense general training including company culture, regulatory framework and various liquor products knowledge; reinforcing training in the aspect of human resources management.

2) Professional training

For special types of work such as electrician, coolerman, forklift driver, assembler, tourist guide, individualization product designer and so on, organizing them to attend training which can improve professional skill and operation level. According to different types of work, organizing one or two job skill competitions during the year to popularize professional knowledge and safety knowledge of different positions to relevant employees through edutainment, meanwhile, to enrich their spiritual life.

Attending special training at least twice a year such as safety, technology, facility, comprehensive management etc. which are organized by the company.

④ Marketing Personnel

1) General training

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

2) Professional training

Professional lecturers from Pioneer Training Institute would be employed to the company or through remote internet videos to give lectures about successful liquor cases, current economic trend research for domestic and foreign wine industry and other topics.

Strengthening the training for city marketing managers. The company has established Pioneer Training Institute, recruited talents with well-known wine related professional overseas study experiences and extensive wine knowledge as full-time lectures. Providing professional wine knowledge, tasting knowledge and wine tasting etiquette training to the company's internal management and sales staffs.

For business directors and other personnel, each marketing management company should convene all marketing personnel to carry out marketing training and sharing through monthly video conferences, online sharing, WeChat interaction, on-site meetings, etc., so as to make progress together.

⑤ New Entry University Students

1) Senior and middle-level administrative staff in the company would be invited to train undergraduate for enterprise culture, regulatory framework, safety production, product quality, marketing strategy, emolument and evaluation system and so on in order for these undergraduate to understand the company's conditions in the shortest time.

2) Professional lecturers would be employed to conduct exterior training courses to undergraduate, such as role transition, workplace etiquette and team cooperation and so on.

(3) Labor outsourcing

Available Not available

X. Corporate Governance

1. Current Corporate Governance Situation of the Company

(1) About shareholders and shareholders' meeting

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

(2) About the Company and holding shareholder

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

(3) About the director and board of directors

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

(4) About supervisor and board of supervisors

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

(5) About performance evaluation and incentive system

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

(6) About stakeholders

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

(7) About the information disclosure and transparency

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

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

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

Yes No

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

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

(1) Personnel Arrangement

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

(2) Assets:

Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholders, and all legal formalities were completed. As an independent legal entity, the Company operates independently in accordance with the law, and does not provide any form of guarantee with its assets for shareholders' or individuals' liabilities or other legal or natural persons. Due to the historical issues, the ownership of trademarks such as “张裕” (Changyu)

that the Company is permitted to use that are still remained with the controlling shareholder. Except for a very small number of trademarks such as “张裕” (Changyu), most of the trademarks used by the Company have ownership rights that ensures the independence and completeness of the Company’s assets.

(3) Finance

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

(4) Independent Institutions

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

(5) Operations

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

3. Situation for Horizontal Competition

Available Not available

4. Information for the shareholders’ meeting and 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	http://www.cninfo.com.cn Resolution Announcement of 2019 Annual Shareholders’ Meeting (Announcement no.: 2020-Temporary 25)
2020 First Interim Shareholders’ Meeting	Interim Shareholders’ Meeting	58.33%	2020.06.19	2020.06.20	http://www.cninfo.com.cn Resolution Announcement of 2020 First Interim Shareholders’ Meeting (Notification no.: 2020-Temporary 30)

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

Available Not available

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

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

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

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

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

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

Yes No

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

(3) Other explanations on independent directors' performance

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

Yes No

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

During the report period, the independent directors suggested the Company to communicate with the controlling shareholder on the integration of tourism business and strive to expand and strengthen the tourism industry. The Company has adopted the suggestions of the independent directors, and acquired the tourism business owned by the controlling shareholder.

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

① Auditing Committee: During the report period, the Company's auditing Committee conducted an ex-ante, in-process, and post-event review to related annual report audit work and made relevant arrangements. The auditing Committee believed that 2019 annual financial statements issued by the Company met the requirement of *Accounting Standards for Business Enterprises* and truly and fairly reflected the assets and liabilities condition up to December 31st, 2019 as well as 2019 annual business performance and cash flow. There were no unsolved major divergences in accounting and auditing or major risk issues affecting the Company's management. The Company operated steadily and had the ability of continuous operations. Proposals including *2019 Annual Self-assessment Report on Internal Control*, *Draft proposal on 2019 Annual Profit Distribution*, *Appointing Certified Public Accountants Firm*, *Change in Accounting Policy*, *2019 Annual Report*, *2020 Semi-annual Report* and *2020 Annual Audit Plan* were deliberated. Auditing committee passed above-mentioned proposals and submitted the related proposals to board of directors for deliberation.

② Emolument Committee: Emolument Committee under the Company's board of directors is responsible for assessment of the economy responsibilities of the directors and the senior executives who receive salaries from the Company and examination of the salary policy and scheme designed for the Company's directors and senior executives. During the report period, the Company held Emolument Committee meeting two times and deliberated and passed the *Proposal on 2019 Annual Performance Assessment Results of the Company's Senior Executives*, *Proposal on Adjustment in the Company's 2020 Annual Performance Compensation Assessment Method for Senior Executives* and *Proposal on the Election of the Convener of the Compensation Committee*. The meeting considered that all the contents of the *Proposal on 2019 Annual Performance Assessment Results of the Company's Senior Executives* submitted to the meeting deliberation by the Company are in line with the relevant provisions of the Company, and the adjustment of the Company's 2020 Annual Performance Compensation Assessment Method for Senior Executives is in line with the actual situation of the industry and the Company, in which the adjusted performance appraisal is more scientific and reasonable that could better restrain and motivate senior managers. The meeting agreed to the above proposals and submitted them to the board of directors for deliberation. Mr. Liu Qinglin was elected as the convener of the Remuneration Committee in this meeting.

During the report period, the Board of Directors' Emolument Committee also examined the 2019 annual payroll records of the directors and the senior managers who receive salaries from the Company and believes that the salaries of the Company's directors, supervisors and senior managers received from the Company is strictly assessed and delivered based on the Company's economic responsibility assessment system. The salaries disclosed by the Company are in conformity with the actually paid amount.

7. The work of the Board of Supervisors

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

Yes No

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

8. Performance Evaluation and Incentive situations of Senior Management

The Company has already established a sound system for evaluation of achievement of senior management and the related incentive system which linked the reward with the Company's benefit and personal achievement. The Emolument Committee under Board of Directors

assumed the responsibility of stipulating the policy and appraising the scheme for salaries and rewards. Based on the Company's annual business planning goals, this committee examined senior personals and also their responsible subsidiaries or departments according to their management achievement and index and took these as criterion of awards or penalties. During the report period, because of not finishing the annual business plan deliberated and passed in the Board of Directors' meeting at the beginning of the year, the total salaries and rewards of the senior management have dropped significantly from that of last year.

9. Internal Control

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

Yes No

(2) Self-assessment report on internal control

Disclosure date for full text of the internal control self-assessment report	2021.04.28	
Disclosure index for full text of the internal control self-assessment report	2020 Annual Self-Assessment Report on Internal Control disclosed on Securities Times, China Securities Journal and www.cninfo.com.cn by the Company on April 28 th , 2021	
Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements	89.05%	
Percentage of unit operating income included in scope of the assessment accounting for the Company's operating income of consolidated financial statements	93.41%	
Standards of Defect Identification		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Significant defects: one defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report. For example: ① Company's Directors, Supervisors and Senior Management have fraudulent practices; ② The Company makes corrections for the published financial report; ③ The audit of external intermediary agent finds significant misstatement existing in the current financial report, but the Company does not realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ The Company's audit committee and internal audit department makes an inefficient supervision for internal control; ⑥ Other situations maybe cause significant misdirection which guides the report users to make the right judgment.</p> <p>Major defects: The defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report, although the misstatements neither achieves nor exceeds the importance level but still arising the attention of Board of Directors and management team. ① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to</p>	<p>Significant defects: Any situations listed below appears, it can be regarded as significant defects. ① Operation: Unable to achieve all operation target or key business index, widely out of budget in various aspects. ② Safety accident effects: Cause no less than one person death, or more than 3 person serious injuries. ③ Major negative effects: Negative information frequently appears in the medias with involving a wide scope in the international and national mainstream media. ④ Environment effects: Create irreparable damages to environment, and cause massive public complains.</p> <p>Major defects: Any situations listed below appears, it can be regarded as major defects. ① Operation: Unable to achieve partly operation target, a big margin out of budget in various aspects. ② Safety accident effects: Without reaching the person loss or the number of serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures.</p> <p>General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable</p>

	set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and special deal; ④ Negative news appears in the media with influencing a wide scope; ⑤ One or more defects exist in the control during the process of the ending financial report, and the target of achieving truthfulness and integrality cannot be reasonably guaranteed in the financial report; ⑥ General defects refer to the other control defects, which do not constitute the significant and major defects.	to constitute the significant defects or major defects. ④ Environment effects: Other environment effects unable to constitute the significant defects or major defects.
Quantitative criterion	For total assets/Owner's equity: ① Significant defects: misstatements $\geq 1\%$ ② Major defects: $0.5\% \leq \text{misstatements} < 1\%$ ③ General defects: misstatements $< 0.5\%$ For operation revenue: ① significant defects: misstatements $\geq 1\%$ ② Major defects: $0.5\% \leq \text{misstatements} < 1\%$ ③ General defects: misstatements $< 0.5\%$ For pretax profit: ① Significant defects: misstatements $\geq 5\%$ ② Major defects: $2\% \leq \text{misstatements} < 5\%$ ③ General defects: misstatements $< 2\%$	For direct property loss: ① Significant defects: More than CNY10million ② Major defects: CNY1million-CNY10million (including CNY1million) ③ General defects: Less than CNY1million
Number of significant defect in financial report		0
Number of significant defect in non-financial report		0
Number of major defect in financial report		0
Number of major defect in non-financial report		0

10. Internal control audit report

Available Not available

Audit opinions of the internal control audit report	
We believe that Yantai Changyu Pioneer Wine Co., Ltd. kept effective internal control to financial report in all significant aspects in accordance with <i>General Criteria of Company's Internal Control</i> and other related rules on December 31 st , 2020.	
Disclosure of the internal control audit report	Disclosure
Disclosure date for the full text of the internal control audit report	April 28 th , 2021
Disclosure index for the full text of the internal control audit report	2020 Annual Self-Assessment Report on Internal Control disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company on April 28 th , 2021.
Opinion type of the internal control audit report	Standard without reserved opinion
Whether or not exists significant defects in non-financial reports	No

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

Yes No

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

Yes No

XI. Related Situation of Corporation Bonds

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

No

XII. Financial Report

1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	April 26 th , 2021
Audit agency name	KPMG Huazhen Certified Public Accountants Co., Ltd. (special general partnership)
Audit report No.	KPMG Huazhen ShenZi No. 2103362
Certified public accountant's name	Ms. Wang Ting, Ms. Chai Jing

YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2020 TO 31 DECEMBER 2020
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH
TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2103362

All Shareholders of Yantai Changyu Pioneer Wine Company Limited:

Opinion

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu"), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2020, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders' equity and company statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and company financial position of Yantai Changyu as at 31 December 2020, and of its consolidated financial performance and company financial performance and its consolidated cash flows and company cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2103362

Key Audit Matters

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

Recognition of Sales Revenue from Distributors	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 36.	
Key Audit Matters	How the Matter was Addressed in Our Audit
<p>The principal activities of Yantai Changyu and its subsidiaries (hereinafter referred to as "Yantai Changyu Group") include manufacture and sales of wine, brandy and sparkling wine.</p> <p>The revenue of Yantai Changyu Group is mainly derived from sales of distributors. All distributor transaction terms adopt the unified transaction terms formulated by Yantai Changyu Group.</p> <p>Starting from 1 January 2020, Yantai Changyu has implemented the Accounting Standards for Business Enterprises No.14 "Revenue (Revised)" and sales revenue is recognised when the customer obtains control of the relevant goods. Based on the contractual agreement and the business arrangement, Yantai Changyu sells products to distributors and the transfer of product ownership is completed and the revenue is recognised when the goods are delivered to distributors and signed for acceptance.</p> <p>As revenue is one of the key performance indicators of Yantai Changyu Group, there is an inherent risk that the management will manipulate revenue in order to achieve specific performance objectives or expectations. Therefore, we recognise sales revenue from distributors as a key audit matter.</p>	<p>Our audit procedures to evaluate revenue recognition of sales revenue from distributors included the following:</p> <ul style="list-style-type: none"> • Understand and evaluate the Management's design and operation effectiveness of key internal controls related to distributor sales revenue recognition; • Selecting the sales contracts Yantai Changyu signed with distributors in order to examine whether Yantai Changyu has adopted the unified transaction terms, and evaluate whether the accounting policy of revenue recognition meets the requirements of the Accounting Standards for Business Enterprises; • On a sampling basis, reconcile the revenue recorded for the year to relevant supporting files such as relevant orders and signed delivery notes, etc. to evaluate whether revenue is recognised in accordance with the accounting policy of Yantai Changyu;

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2103362

Key Audit Matters (continued)

Recognition of Sales Revenue from Distributors (continued)	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 36.	
The Key Audit Matters	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • On a sampling basis, reconcile the sales transaction before and after balance sheet date to relevant supporting files such as relevant orders, signed delivery notes, etc. to evaluate whether revenue is recognised in appropriate accounting period; • Selecting the balances of current accounts on balance sheet date and the amount of sales transaction for the year to perform confirmation procedures; • Check the sales record after the balance sheet date to identify significant sales returns and check relevant supporting files (If applicable) in order to evaluate whether relevant revenue is recorded in the appropriate accounting period; • Select revenue accounting entries that meet specific risk criteria and check related supporting documents.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2103362

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2020 annual report, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2103362

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

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

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

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2103362

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

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

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

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

KPMG Huazhen LLP
(Stamp)

Certified Public Accountants Registered
in the People's Republic of China

Wang Ting (Engagement Partner)
(Signature and stamp)

Beijing, China

Chai Jing
(Signature and stamp)

Date: 26 April 2021

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019	31 January 2019
			(Restated)	(Restated)
Assets				
Current assets				
Cash at bank and on hand	V.1	1,194,214,929	1,597,410,775	1,505,126,258
Accounts receivable	V.2	183,853,362	265,730,156	230,711,055
Receivables under financing	V.3	338,090,187	317,270,229	288,998,115
Prepayments	V.4	71,296,416	67,764,156	4,682,354
Other receivables	V.5	22,428,956	24,350,228	22,815,697
Inventories	V.6	2,945,548,651	2,901,651,555	2,748,419,225
Other current assets	V.7	234,118,715	269,002,321	259,602,897
Total current assets		4,989,551,216	5,443,179,420	5,060,355,601
Non-current assets				
Long-term equity investments	V.8	48,263,507	43,981,130	-
Available-for-sale financial assets		-	-	467,251
Investment properties	V.9	27,057,730	29,714,586	31,572,489
Fixed assets	V.10	5,724,935,846	5,943,969,099	5,799,345,351
Construction in progress	V.11	635,495,152	567,478,833	759,296,591
Bearer biological assets	V.12	192,173,536	202,425,286	209,266,373
Intangible assets	V.13	660,989,065	652,543,848	655,663,382
Goodwill	V.14	132,938,212	141,859,193	165,199,111
Long-term deferred expenses	V.15	314,465,855	280,478,194	247,942,506
Deferred tax assets	V.16	206,241,275	265,551,343	288,561,790
Other non-current assets	V.17	170,370,147	193,674,320	-
Total non-current assets		8,112,930,325	8,321,675,832	8,157,314,844
Total assets		13,102,481,541	13,764,855,252	13,217,670,445

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019	31 January 2019
			(Restated)	(Restated)
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans	V.18	689,090,715	754,313,744	688,002,410
Accounts payable	V.19	484,347,958	570,849,779	713,641,568
Advance payments received	V.20	-	128,907,605	232,793,208
Contract liabilities	V.21	135,073,280	-	-
Employee benefits payable	V.22	188,779,911	240,801,344	216,787,066
Taxes payable	V.23	213,412,813	375,620,295	129,280,966
Other payables	V.24	386,105,526	456,480,389	612,334,263
Other current liabilities	V.25	14,820,653	-	-
Non-current liabilities due within one year	V.26	133,311,890	150,826,221	152,940,786
Total current liabilities		2,244,942,746	2,677,799,377	2,745,780,267
Non-current liabilities				
Long-term loans	V.27	200,352,968	128,892,501	156,480,662
Long-term payables	V.28	86,000,000	191,000,000	225,000,000
Deferred income	V.29	52,653,609	70,701,288	86,227,293
Deferred tax liabilities	V.16	12,022,613	14,691,424	22,010,647
Other non-current liabilities	V.30	2,078,971	7,645,777	7,234,853
Total non-current liabilities		353,108,161	412,930,990	496,953,455
Total liabilities		2,598,050,907	3,090,730,367	3,242,733,722

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019	31 January 2019
			(Restated)	(Restated)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital	V.31	685,464,000	685,464,000	685,464,000
Capital reserve	V.32	524,968,760	642,775,360	643,680,379
Other comprehensive income	V.33	576,129	(4,235,583)	2,965,377
Surplus reserve	V.34	342,732,000	342,732,000	342,732,000
Retained earnings	V.35	8,714,091,755	8,735,513,044	8,013,924,148
Total equity attributable to shareholders of the Company		10,267,832,644	10,402,248,821	9,688,765,904
Non-controlling interests		236,597,990	271,876,064	286,170,819
Total owners' equity		10,504,430,634	10,674,124,885	9,974,936,723
Total liabilities and shareholders' equity		13,102,481,541	13,764,855,252	13,217,670,445

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019	31 January 2019
			(Restated)	(Restated)
Assets				
Current assets				
Cash at bank and on hand		267,548,326	710,505,269	624,588,809
Accounts receivable		-	1,988,326	1,447,973
Receivables under financing	XV.1	13,920,000	41,679,635	39,885,254
Prepayments		171,709	776,539	227
Other receivables	XV.2	580,131,798	586,424,958	1,025,643,356
Inventories		482,442,935	434,007,808	385,154,740
Other current assets		24,842,325	39,130,466	24,704,844
Total current assets		1,369,057,093	1,814,513,001	2,101,425,203
Non-current assets				
Long-term equity investments	XV.3	7,599,778,880	7,432,422,621	7,420,803,069
Investment properties		-	29,714,586	31,572,489
Fixed assets		270,692,477	261,137,072	265,311,274
Construction in progress		2,865,243	-	6,311,701
Bearer biological assets		115,103,753	121,414,096	125,002,793
Intangible assets		80,789,731	64,864,913	67,244,066
Deferred tax assets		18,285,685	16,255,870	24,194,967
Other non-current assets		1,530,700,000	1,427,700,000	972,700,000
Total non-current assets		9,618,215,769	9,353,509,158	8,913,140,359
Total assets		10,987,272,862	11,168,022,159	11,014,565,562

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	<i>Note</i>	<i>31 December 2020</i>	<i>31 December 2019</i>	<i>31 January 2019</i>
			(Restated)	(Restated)
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans		150,000,000	150,000,000	150,000,000
Accounts payable		76,470,081	63,655,240	132,704,304
Employee benefits payable		67,808,910	70,445,847	72,345,179
Taxes payable		9,123,959	6,052,456	13,111,431
Other payables		521,505,947	660,149,563	607,974,519
Total current liabilities		824,908,897	950,303,106	976,135,433
Non-current liabilities				
Deferred income		5,507,708	9,176,315	12,343,972
Other non-current liabilities		1,164,471	3,146,707	2,710,575
Total non-current liabilities		6,672,179	12,323,022	15,054,547
Total liabilities		831,581,076	962,626,128	991,189,980

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	31 December 2020	31 December 2019	31 January 2019
			(Restated)	(Restated)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital		685,464,000	685,464,000	685,464,000
Capital reserve		560,182,235	557,222,454	557,222,454
Surplus reserve		342,732,000	342,732,000	342,732,000
Retained earnings		8,567,313,551	8,619,977,577	8,437,957,128
Total owners' equity		10,155,691,786	10,205,396,031	10,023,375,582
Total liabilities and shareholders' equity		10,987,272,862	11,168,022,159	11,014,565,562

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

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

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	2020	2019
			(Restated)
I. Operating income	V.36	3,395,402,001	5,074,025,899
Less: Operating cost	V.36	1,503,877,407	1,877,658,738
Taxes and surcharges	V.37	203,789,274	269,888,681
Selling and distribution expenses	V.38	788,252,485	1,088,305,385
General and administrative expenses	V.39	290,646,466	311,904,656
Research and development expenses		4,531,418	6,041,116
Financial expenses	V.40	20,441,713	35,302,229
Including: Interest expenses		32,890,621	41,570,794
Interest income		14,247,274	12,327,441
Add: Other income	V.41	73,063,620	77,370,841
Investment (losses)/income	V.42	(2,217,623)	5,112,733
Including: Losses from investment in joint ventures and associates		(2,217,623)	(1,120,928)
Credit reversal/ (losses)	V.43	4,348,309	(6,678,498)
Impairment losses	V.44	(3,215,978)	(20,552,916)
(Losses)/ Gains from disposal of assets	V.45	(1,180,655)	39,015

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	2020	2019
			(Restated)
II. Operating profit		654,660,911	1,540,216,269
Add: Non-operating income	V.46	11,908,510	11,021,303
Less: Non-operating expenses	V.46	1,702,858	3,634,552
III. Total profit		664,866,563	1,547,603,020
Less: Income tax expenses	V.47	191,804,500	405,597,320
IV. Net profit		473,062,063	1,142,005,700
(1) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		473,062,063	1,142,005,700
2. Net profit from discontinued operations		-	-
(2) Net profit classified by ownership:			
1. Net profit attributable to owners of the Company		470,860,587	1,141,367,296
2. Non-controlling interests		2,201,476	638,404
V. Other comprehensive income, net of tax		5,171,635	(8,542,792)
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		4,811,712	(7,200,960)
Translation differences arising from translation of foreign currency financial statements		4,811,712	(7,200,960)
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		359,923	(1,341,832)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
VI. Total comprehensive income for the year		478,233,698	1,133,462,908
(1) Attributable to shareholders of the Company		475,672,299	1,134,166,336
(2) Attributable to non-controlling interests		2,561,399	(703,428)
VII. Earnings per share:			
(1) Basic earnings per share	V.48	0.69	1.67
(2) Diluted earnings per share	V.48	0.69	1.67

Note 1: The Group had a business combination under common control in 2020. The net profit realised by the combining party before the combination was RMB10,730,129 and the net profit realised by the combining party in 2019 was RMB11,709,978.

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company income statement
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	2020	2019
			(Restated)
I. Operating income	XV.4	512,303,553	740,856,362
Less: Operating cost	XV.4	452,368,512	655,504,063
Taxes and surcharges		19,841,835	25,045,041
General and administrative expenses		74,929,302	86,481,192
Research and development expenses		728,793	815,233
Net financial income		(602,459)	(4,798,485)
Including: Interest expenses		4,875,912	497,277
Interest income		5,594,285	5,843,698
Add: Other income		5,339,898	3,953,002
Investment income	XV.5	449,504,721	621,620,723
Credit reversal/ (losses)		601,610	(601,610)
Gains from disposal of assets		-	22,297
II. Operating profit		420,483,799	602,803,730
Add: Non-operating income		3,961,267	1,840,062
Less: Non-operating expenses		1,050,415	1,118,124

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company income statement
 for the year ended 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
III. Total profit		423,394,651	603,525,668
Less: Income tax expenses		(3,766,123)	10,226,819
IV. Net profit		427,160,774	593,298,849
(i) Net profit from continuing operations		427,160,774	593,298,849
(ii) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income for the year		427,160,774	593,298,849

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		3,259,057,195	4,698,813,366
Refund of taxes and surcharges		45,642,498	40,944,192
Proceeds from other operating activities	V.49(1)	81,197,248	96,517,766
Sub-total of cash inflows		3,385,896,941	4,836,275,324
Payment for goods and services		1,095,500,438	1,342,960,997
Payment to and for employees		529,304,037	594,680,599
Payment of various taxes		704,054,796	1,127,433,460
Payment for other operating activities	V.49(2)	551,890,997	922,347,908
Sub-total of cash outflows		2,880,750,268	3,987,422,964
Net cash flows from operating activities	V.50(1)	505,146,673	848,852,360
II. Cash flows from investing activities:			
Proceeds from disposal of investments		135,647,402	234,632,139
Investment returns received		1,730,511	1,809,786
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		49,200,301	6,334,375
Sub-total of cash inflows		186,578,214	242,776,300
Payment for acquisition of fixed assets, intangible assets and other long-term assets		155,918,502	281,228,617
Payment for acquisition of investments		83,508,393	170,023,444
Net cash paid for the acquisition of subsidiaries and other business units	V.50(2)	89,519,789	-
Sub-total of cash outflows		328,946,684	451,252,061
Net cash flows from investing activities		(142,368,470)	(208,475,761)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
III. Cash flows from financing activities:			
Proceeds from borrowings		987,668,379	942,134,032
Sub-total of cash inflows		987,668,379	942,134,032
Repayments of borrowings		1,098,773,637	939,525,426
Payment for dividends, profit distributions or interest		531,697,065	470,955,473
Payment for other financing activities	V.49(3)	62,966,747	11,619,552
Sub-total of cash outflows		1,693,437,449	1,422,100,451
Net cash flows from financing activities		(705,769,070)	(479,966,419)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,743,498)	703,173
V. Net increase in cash and cash equivalents	V.50(1)	(344,734,365)	161,113,353
Add: Cash and cash equivalents at the beginning of the year		1,397,399,470	1,236,286,117
VI. Cash and cash equivalents at the end of the year	V.50(3)	1,052,665,105	1,397,399,470

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

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

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company cash flow statement
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		365,804,968	737,920,018
Proceeds from other operating activities		19,507,538	211,049,689
Sub-total of cash inflows		385,312,506	948,969,707
Payment for goods and services		261,854,964	710,601,952
Payment to and for employees		65,247,752	91,738,062
Payment of various taxes		6,778,231	48,817,363
Payment for other operating activities		139,442,785	28,434,079
Sub-total of cash outflows		473,323,732	879,591,456
Net cash flows from operating activities		(88,011,226)	69,378,251
II. Cash flows from investing activities:			
Proceeds from disposal of investments		58,238,750	131,133,236
Investment returns received		450,538,570	922,250,025
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		131,260	1,354,733
Proceeds from borrowings to subsidiaries		9,000,000	8,000,000
Sub-total of cash inflows		517,908,580	1,062,737,994
Payment for acquisition of fixed assets, intangible assets and other long-term assets		51,762,211	21,417,387
Payment for acquisition of investments		131,408,115	138,566,890
Net cash paid for the acquisition of subsidiaries and other business units		89,519,789	-
Cash paid to subsidiaries		112,000,000	463,000,000
Sub-total of cash outflows		384,690,115	622,984,277
Net cash flows from investing activities		133,218,465	439,753,717

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company cash flow statement
 for the year ended 31 December 2020 (continued)
 (Expressed in Renminbi Yuan)

	Note	2020	2019 (Restated)
III. Cash flows from financing activities:			
Proceeds from borrowings		150,000,000	150,000,000
Sub-total of cash inflows		150,000,000	150,000,000
Repayments of borrowings		150,000,000	150,000,000
Payment for dividends or interest		486,200,712	418,400,308
Sub-total of cash outflows		636,200,712	568,400,308
Net cash flows from financing activities		(486,200,712)	(418,400,308)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net decrease/(increase) in cash and cash equivalents		(440,993,473)	90,731,660
Add: Cash and cash equivalents at the beginning of the year		623,116,542	532,384,882
VI. Cash and cash equivalents at the end of the year		182,123,069	623,116,542

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated statement of changes in shareholders' equity
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company					Non-controlling interests	Total shareholders' equity	
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings			
I. Balance at the beginning of the year		685,464,000	642,775,360	(4,235,583)	342,732,000	8,735,513,044	10,402,248,821	271,876,064	10,674,124,885
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	4,811,712	-	470,860,587	475,672,299	2,561,399	478,233,698
(2) Shareholders' contributions									
Acquisitions of non-controlling interests		-	(28,286,811)	-	-	-	(28,286,811)	(34,679,936)	(62,966,747)
(3) Appropriation of profits	V.35								
Distributions to shareholders		-	-	-	-	(492,281,876)	(492,281,876)	(3,159,537)	(495,441,413)
(4) Business combination under common control	VI.(1)	-	(89,519,789)	-	-	-	(89,519,789)	-	(89,519,789)
III. Balance at the end of the year		685,464,000	524,968,760	576,129	342,732,000	8,714,091,755	10,267,832,644	236,597,990	10,504,430,634

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

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

	Note	Attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Balance at the beginning of the year		685,464,000	565,955,441	2,965,377	342,732,000	8,008,982,547	9,606,099,365	284,388,012	9,890,487,377
Add: Changes in accounting policies	III.33	-	-	-	-	(7,540,537)	(7,540,537)	-	(7,540,537)
Business combination under common control		-	77,724,938	-	-	12,482,138	90,207,076	1,782,807	91,989,883
Adjusted balance at the beginning of the year		685,464,000	643,680,379	2,965,377	342,732,000	8,013,924,148	9,688,765,904	286,170,819	9,974,936,723
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(7,200,960)	-	1,141,367,296	1,134,166,336	(703,428)	1,133,462,908
(2) Contribution by owners									
Acquisitions of non-controlling interests		-	(905,019)	-	-	-	(905,019)	(10,714,533)	(11,619,552)
(3) Appropriation of profits	V.35								
Distributions to shareholders		-	-	-	-	(419,778,400)	(419,778,400)	(2,876,794)	(422,655,194)
III. Balance at the end of the year		685,464,000	642,775,360	(4,235,583)	342,732,000	8,735,513,044	10,402,248,821	271,876,064	10,674,124,885

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company statement of changes in shareholders' equity
 for the year ended 31 December 2020
 (Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,619,977,577	10,205,396,031
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	427,160,774	427,160,774
(2) Shareholders' contributions						
Purchase of share equity of Yantai Changyu Culture Development Co., Ltd ("Culture Development")	VII.1	-	2,959,781	-	-	2,959,781
(3) Appropriation of profits						
Distributions to shareholders		-	-	-	(479,824,800)	(479,824,800)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	8,567,313,551	10,155,691,786

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

 Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

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

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
Add: Changes in accounting policies	III. 33	-	-	-	-	-
Adjusted balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
II. Changes in equity for the year						
1. Total comprehensive income		-	-	-	593,298,849	593,298,849
2. Appropriation of profits						
Distributions to shareholders		-	-	-	(411,278,400)	(411,278,400)
III. Balance at the end of the year		685,464,000	557,222,454	342,732,000	8,619,977,577	10,205,396,031

These financial statements were approved by the Board of Directors of the Company on 26 April 2021.

 Zhou Hongjiang
 Legal Representative
 (Signature and stamp)

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

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

(Company stamp)

The notes on pages 106 to 193 form part of these financial statements.

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

I. Company status

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

As at 31 December 2020 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note V. 31 in detail.

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

The financial statements have been authorised by the board of directors on 26 April 2021. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

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

II. Basis of preparation

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

Since 1 January 2019, the Group has adopted new financial instrument standards revised by MOF in 2017, including CAS 22 — Recognition and Measurement of Financial Instruments.

Since 1 January 2020, the Group has adopted new revenue standards revised by MOF in 2017, including CAS 14 — Revenue (See Note III. 33).

The Group has not adopted CAS No. 21 — Lease revised in 2018 respectively.

III. Significant accounting policies and accounting estimates

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

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

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Operating cycle

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

4 Functional currency

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

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

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving entities under common control

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

(2) Business combinations involving entities not under common control

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

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

6 Consolidated financial statements

(1) General principles

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

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

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

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

(2) Subsidiaries acquired through a business combination

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

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

(3) Disposal of subsidiaries

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

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

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

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

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

(4) Changes in non-controlling interests

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

7 Cash and cash equivalents

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

8 Foreign currency transactions and translation of foreign currency financial statements

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

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

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

9 Financial instruments

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

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

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

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.22.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

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

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

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

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

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

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

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

- Financial assets at amortised cost

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

- Debt investments at FVOCI

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

- Equity investments at FVOCI

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

(3) Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at FVTPL

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

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

- Financial liabilities at amortised cost

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

(4) Offsetting

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

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

(5) Derecognition of financial assets and financial liabilities

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

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

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

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

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

(6) Impairment

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

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

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

Measurement of ECLs

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

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

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

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

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

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

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

Financial instruments that have low credit risk

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

Significant increases in credit risk

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

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

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

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

Write-off

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

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

(7) Equity instrument

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

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

10 Inventories

(1) Classification and cost

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

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

(2) Measurement method of cost of inventories

Cost of inventories is calculated using the weighted average method.

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

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

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

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

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

(4) Inventory count system

The Group maintains a perpetual inventory system.

11 Long-term equity investments

(1) Investment cost of long-term equity investments

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

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

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

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

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale (See Note III. 28). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

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

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

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

(b) Investment in joint ventures and associates

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

Associated enterprises refer to enterprises to which the Group can exercise significant influence (see Note III.11(3)).

A long-term equity investment in a joint venture is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.28).

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

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

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

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

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

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

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

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

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

12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights, unless the investment property is classified as held for sale (see Note III.28). For the impairment of the investment properties, refer to Note III.20.

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

13 Fixed assets

(1) Recognition of fixed assets

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

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

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

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

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

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.28).

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

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

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

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

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

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

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

14 Construction in progress

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

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

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

15 Borrowing costs

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

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

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

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

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

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

16. Biological assets

The Group's biological assets are bearer biological assets.

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

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

<i>Category</i>	<i>Estimated useful life (years)</i>	<i>Estimated net residual value rate</i>	<i>Depreciation rate (%)</i>
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 should be recognised in profit or loss for the period in which it arises.

17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note III.20). For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.28).

The respective amortisation periods for intangible assets are as follows:

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

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

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

18 Goodwill

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

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

19 Long-term deferred expenses

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

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

20 Impairment of assets other than inventories and financial assets

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

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

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

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

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

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

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

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

21 Fair value measurement

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

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

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

22 Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

For the sale of a product with a right of return, the Group recognises revenue when the Group obtains control of that product, in the amount of consideration to which the Group expects to be entitled in exchange for the product transferred (i.e. excluding the amount of which expected to be returned), and recognises a refund liability for the products expected to be returned. Meanwhile, an asset is recognised in the amount of carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products), and carry forward to cost in the amount of carrying amount of the transferred products less the above costs. At the end of each reporting period, the Group updates its assessment of future sales return. If there is any change, it is accounted for as a change in accounting estimate.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

The Group's sales revenue is mainly derived from dealer sales. Revenue is recognised when the Group transfers control of the related products to the customer. Based on the business contract, the Group recognised the sales revenue of these transfers when the product is confirmed and signed for acceptance by the customers.

23 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

24 Employee benefits

(1) Short-term employee benefits

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

(2) Post-employment benefits – defined contribution plans

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

(3) Termination benefits

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

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

25 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.

26 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.

27 Operating leases and finance leases

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

(1) Operating lease charges

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

(2) Assets leased out under operating leases

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

28 Assets held for sale

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

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

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

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

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.21) less costs to sell (except financial assets (see Note III.9), deferred tax assets (see Note III.26) and investment properties subsequent measured at fair value (see Note III.12) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.21) less costs to sell is recognised as an impairment loss in profit or loss.

29 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.

30 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.

31 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 five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2020, over 85% of revenue, more than 93% 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.

32 Significant accounting estimates and judgements

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

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, bearer biological assets and intangible assets (see Notes III. 13 and 16) and provision for impairment of various types of assets (see Notes V.2, 6, 10, 13 and 14). Other significant accounting estimates are as follows:

- (i) Note V. 16 – Recognition of deferred tax asset;
- (ii) Note IX. – Fair value measurements of financial instruments.

33 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2020, the Group has adopted the following revised accounting standards issued by the MOF recently:

- CAS No.14 - Revenue (Revised) (“new revenue standard”)
- CAS Bulletin No.13 (Caikuai [2019] No.21) (“Bulletin No.13”)
- Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10)

(a) New revenue standard

New revenue standard replaces CAS No.14 – Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 (collectively referred to as “previous revenue standard”).

Under previous revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract. Please refer to Note III.22 for relevant accounting policies.

The effects of new revenue standard on each of the line items in the consolidated balance sheet and company balance sheet as at 1 January 2020 are analysed as follows:

	<i>Increase/(decrease) in the line items as a result of applying new accounting policies</i>	
	<i>The Group</i>	<i>Parent</i>
Liabilities:		
Advance payments received	(128,907,604)	-
Other payables	(11,855,592)	-
Contract liabilities	126,910,470	-
Other current liabilities	13,852,726	-

The Group adjusts the amount of contractual consideration received before the transfer of goods to customers or the right to unconditionally receive contractual consideration from advance payments received and other payables to contract liabilities, and any amounts involving value-added tax will be adjusted to other current liabilities.

The following tables provide information of the impact on each of the line items in the consolidated income statement and company income statement, and the consolidated balance sheet and company balance sheet for the year ended 31 December 2020 had the previous policies still been applied in the year.

The effects on each of the line items in the consolidated income statement and company income statement for the year ended 31 December 2020 are analysed as follows:

	<i>Increase/(decrease) in the line items for the year as a result of applying new accounting policies</i>	
	<i>The Group</i>	<i>Parent</i>
Operating costs	87,534,630	-
Selling and distribution expenses	(87,534,630)	-

The Group considers the transportation expenses incurred before the transfer of control to the customer as contractual performance costs, which has been adjusted from sales expenses to operating costs.

The effects on each of the line items in the consolidated balance sheet and company balance sheet as at 31 December 2020 are analysed as follows:

	<i>Increase/(decrease) in the line items as a result of applying new accounting policies</i>	
	<i>The Group</i>	<i>Parent</i>
Liabilities:		
Advance payments received	(133,031,452)	-
Other payables	(16,862,481)	-
Contract liabilities	135,073,280	-
Other current liabilities	14,820,653	-

There is no significant impact on each of the line items in the consolidated cash flow statement and company cash flow statement for the year ended 31 December 2020 had the previous policies still been applied in the year.

- (2) The Group completed the acquisition of Culture Development in July 2020 and made corresponding adjustments to the comparative financial information in accordance with the relevant regulations on business combination under common control (Note VI).

IV. Taxation

1 Main types of taxes and corresponding tax rates

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

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2020 and 2019 are all stated as above.

2 Tax preferential treatments

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

Yantai Changyu Grape Growing Co., Ltd. ("Grape Growing"), a branch of the Company, whose principal activity is grape growing is incorporated in Zhifu District, Yantai City, Shandong Province. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Grape Growing enjoys an exemption of corporate income tax.

Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre"), a branch of the Company, is an enterprise engaged in grape growing in the Economic and Technological Development Zone of Yantai City, Shandong Province. Pursuant to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of the *Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China*, R&D Centre enjoys the preferential policy of exemption of enterprise income tax on income from grape growing.

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

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

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

Pursuant to the *Announcement on Taxation Policies Supporting the Prevention and Control of the Pneumonia Epidemic related to Covid-19* (Announcement from the Ministry of Finance and the State Taxation Administration [2020] No.8), from 1 January 2020, income from providing public transportation services and daily life services to taxpayers and providing express delivery service of daily necessities to residents are exempt from value-added tax. The Company has branches and subsidiaries such as Yantai Changyu Wine Culture Museum Co., Ltd. ("Museum") that provide catering, accommodation, tourism and other daily services. The income from their provision of daily life services will be exempted from value-added tax from 1 January 2020.

Based on the *Notice of the Department of Finance of Shaanxi Province and the Shaanxi Provincial Taxation Bureau under the State Taxation Administration on Matters Concerning the Relief and Exemption of Urban Land Use Tax and Real Estate Tax in Fighting the Epidemic (Shaan Cai Shui [2020] No.4)*, the Department of Finance and the Taxation Bureau shall approve the application for tax relief and exemption submitted by taxpayers who have difficulties to pay urban land use tax and real estate tax owing to the suspension of production and business for more than 30 days (inclusive) arising from the epidemic. Shaanxi Chateau Changyu Rena Co., Ltd. and Changyu (Jingyang) Wine Co., Ltd., two subsidiaries of the Company, meet the application requirements and will be exempted from real estate tax and urban land use tax in the first quarter of 2020.

Pursuant to the *Notice of the Taxation Bureau in Ningxia Hui Autonomous Region under the State Taxation Administration and the Department of Finance in Ningxia Hui Autonomous Region on Implementing the Policies of Real Estate Tax and Urban Land Use Tax by the People's Government in Autonomous Region in response to the impact from Covid-19 Epidemic (Ning Shui Han [2020] No.19)*, the Taxation Bureau shall approve the application for tax relief submitted by enterprises that have difficulties to pay real estate tax and urban land use tax owing to the epidemic. Shaanxi Chateau Changyu Rena Co., Ltd. and Changyu (Ningxia) Wine Co., Ltd., two subsidiaries of the Company, meet the application requirements and will be exempted from real estate tax and urban land use tax for five months in 2020.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

<i>Item</i>	2020	2019
Cash on hand	19,637	65,195
Bank deposits	1,128,882,937	1,506,110,752
Other monetary funds	65,312,355	91,234,828
Total	1,194,214,929	1,597,410,775
Including: Total overseas deposits	47,674,019	42,752,630

As at 31 December 2020, the balance of restricted cash of the Group is as follows:

<i>Item</i>	2020	2019
House maintenance funds	2,684,407	2,647,877

As at 31 December 2020, the Group's term deposits with previous maturity of more than three months is RMB73,553,062 with interest rate 1.50%-2.75% (31 December 2019: RMB106,128,600).

As at 31 December 2020, the Group's other monetary assets is as follows:

<i>Item</i>	2020	2019
Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre") pledged deposit for long-term payables	20,000,000	46,100,000
Deposits for letters of credit	44,540,850	44,540,850
Alipay account balance	761,505	583,978
Deposit for ICBC platform	10,000	10,000
Total	65,312,355	91,234,828

2 Accounts receivable

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

<i>Type</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Amounts due from related parties	2,268,311	4,292,387
Amounts due from other customers	193,911,657	278,112,684
Sub-total	196,179,968	282,405,071
Less: Provision for bad and doubtful debts	(12,326,606)	(16,674,915)
Total	183,853,362	265,730,156

As at 31 December 2020, ownership restricted accounts receivable is RMB28,557,991 (31 December 2019: RMB54,663,422), referring to Note V. 51.

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

<i>Ageing</i>	<i>2020</i>	<i>2019</i>
Within 1 year (inclusive)	190,047,491	276,186,686
Over 1 year but within 2 years (inclusive)	5,581,750	5,743,777
Over 2 years but within 3 years (inclusive)	366,053	308,950
Over 3 years	184,674	165,658
Sub-total	196,179,968	282,405,071
Less: Provision for bad and doubtful debts	(12,326,606)	(16,674,915)
Total	183,853,362	265,730,156

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

(3) Accounts receivable by provisioning method

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

2020

	<i>Loss given default</i>	<i>Carrying amount at the end of the year</i>	<i>Impairment loss at the end of the year</i>
Current	0.4%	146,425,314	650,298
Overdue for 1 to 30 days	3.4%	14,631,174	495,839
Overdue for 31 to 60 days	6.4%	6,678,504	424,266
Overdue for 61 to 90 days	10.3%	5,582,357	574,675
Overdue for 91 to 120 days	12.9%	2,054,400	265,530
Overdue for 121 to 150 days	15.6%	2,769,171	431,319
Overdue for 151 to 180 days	21.7%	3,970,361	859,903
Overdue for 181 to 210 days	30.3%	1,417,385	429,287
Overdue for 211 to 240 days	32.0%	5,413,890	1,731,246
Overdue for 241 to 270 days	35.7%	993,299	354,988
Overdue for 271 to 300 days	54.6%	111,636	60,963
Overdue for 301 to 330 days	88.7%	748,270	664,085
Overdue for 331 to 360 days	100.0%	323,563	323,563
Overdue for 360 days	100.0%	5,060,644	5,060,644
Total	6.3%	196,179,968	12,326,606

2019

	<i>Loss given default</i>	<i>Carrying amount at the end of the year</i>	<i>Impairment loss at the end of the year</i>
Current	0.5%	212,907,296	1,042,035
Overdue for 1 to 30 days	3.4%	30,742,719	1,048,024
Overdue for 31 to 60 days	7.1%	11,523,509	814,636
Overdue for 61 to 90 days	12.1%	5,764,703	700,190
Overdue for 91 to 120 days	17.4%	1,590,671	276,279
Overdue for 121 to 150 days	22.4%	2,311,625	517,066
Overdue for 151 to 180 days	28.5%	661,492	188,571
Overdue for 181 to 210 days	33.3%	2,583,362	861,027
Overdue for 211 to 240 days	39.4%	4,686,242	1,844,776
Overdue for 241 to 270 days	72.9%	588,355	428,627
Overdue for 271 to 300 days	87.8%	583,701	512,581
Overdue for 301 to 330 days	97.3%	753,239	732,946
Overdue for 331 to 360 days	100.0%	1,491,202	1,491,202
Overdue for 360 days	100.0%	6,216,955	6,216,955
Total	5.9%	282,405,071	16,674,915

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

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

	2020	2019
Balance under the previous financial instruments standards	-	-
Adjustment on initial application of the new financial instruments standards	-	(10,050,869)
Balance at the beginning of the year after adjustment	(16,674,915)	(10,050,869)
Charge for the year	(11,591,483)	(6,678,498)
Recoveries or reversals during the year	15,939,792	-
Written-off during the year	-	54,452
Balance at the end of the year	(12,326,606)	(16,674,915)

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

Name	Relationship with the Group	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Lianhua Supermarket Holdings Co., Ltd.	Third party	14,891,601	Within 1 year	7.6%	817,856
NGS Supermarket (Group) Co., Ltd.	Third party	6,703,398	Within 1 year	3.4%	1,945,399
Concord Investment (China) Co., Ltd.	Third party	6,363,346	Within 1 year	3.2%	27,264
THE CO-OP FOOD GROUP	Third party	6,045,716	Within 1 year	3.1%	129,588
SLIGRO B.V.	Third party	5,861,893	Within 1 year	3.0%	125,648
Total		39,865,954		20.3%	3,045,755

3 Receivables under financing

Item	Note	2020	2019
Bills receivable	(1)	338,090,187	317,270,229

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

As at 31 December 2020, there was no pledged bills receivable (31 December 2019: Nil).

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

Item	Amount derecognised at year end
Bank acceptance bills	260,721,441
Total	260,721,441

As at 31 December 2020, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB260,721,441 (31 December 2019: RMB265,759,455). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

4 Prepayments

(1) Prepayments by category:

<i>Item</i>	2020	2019
Prepayments	71,296,416	66,864,156
Other prepayments	-	900,000
Total	71,296,416	67,764,156

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

<i>Ageing</i>	2020		2019	
	<i>Amount</i>	<i>Percentage (%)</i>	<i>Amount</i>	<i>Percentage (%)</i>
Within 1 year (inclusive)	70,977,636	99.6%	67,498,332	99.6%
Over 1 year but within 2 years (inclusive)	318,780	0.4%	265,824	0.4%
Total	71,296,416	100.0%	67,764,156	100.0%

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

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

<i>Name</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Xinjiang Yuyuan Wine Co., Ltd.	Prepayments	32,791,457	Within 1 year	46.0%	-
Fang Cao Hu Branch of Xinjiang Tianyu grape wine making Co., Ltd	Prepayments	18,885,867	Within 1 year	26.5%	-
Wine-World.com Co., Ltd.	Prepayments	6,812,267	Within 1 year	9.6%	-
RR WINE LTDA	Prepayments	4,459,064	Within 1 year	6.3%	-
Yantai power supply company of State Grid Shandong electric power company	Prepayments	1,229,571	Within 1 year	1.7%	-
Total		64,178,226		90.0%	-

5 Other receivables

	<i>Note</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Interest receivable	(1)	-	148,927
Others	(2)	22,428,956	24,201,301
Total		22,428,956	24,350,228

(1) Interest receivable

(a) Interest receivable by category:

<i>Item</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Interest receivable on bank deposits	-	148,927

(b) Significant overdue interest:

As at 31 December 2020, there was no overdue interest receivable (31 December 2019: Nil).

(2) Others

(a) Others by customer type:

<i>Customer type</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Amounts due from related parties	522,936	813,440
Amounts due from other companies	21,906,020	23,387,861
Sub-total	22,428,956	24,201,301
Less: Provision for bad and doubtful debts	-	-
Total	22,428,956	24,201,301

(b) The ageing analysis is as follows:

<i>Ageing</i>	<i>2020</i>	<i>2019</i>
Within 1 year (inclusive)	10,738,225	16,156,330
Over 1 year but within 2 years (inclusive)	3,927,625	940,668
Over 2 years but within 3 years (inclusive)	787,908	6,547,178
Over 3 years	6,975,198	557,125
Sub-total	22,428,956	24,201,301
Less: Provision for bad and doubtful debts	-	-
Total	22,428,956	24,201,301

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

(c) Movements of provisions for bad and doubtful debts

As at 31 December 2020, no bad and doubtful debt provision was made for other receivables (31 December 2019: Nil).

As at 31 December 2020, the Group has no other receivables written off (31 December 2019: Nil).

(d) Others categorised by nature

<i>Nature of other receivables</i>	2020	2019
Deposit	10,287,959	9,915,442
Refund of consumption tax and VAT	8,254,195	8,937,164
Petty cash receivable	124,878	1,741,147
Others	3,761,924	3,607,548
Sub-total	22,428,956	24,201,301
Less: Provision for bad and doubtful debts	-	-
Total	22,428,956	24,201,301

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

<i>Name</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Servicio de Impuestos Internos	Refund of VAT	7,044,680	Within 1 year	31.4%	-
Finance Bureau of Yantai Economic and Technological Development Area	Deposits	5,262,324	Over 3 years	23.5%	-
Yantai Economic and Technological Development Zone Construction Industry Federation	Construction deposit	1,143,500	Over 3 years	5.1%	-
Municipalidad de Casablanca	Deposits	920,000	Within 1 year	4.1%	-
Yantai Municipal Tax Service, State Taxation Administration	Refund of VAT	736,946	Over 1 year but within 2 years	3.3%	-
Total		15,107,450		67.4%	-

6 Inventories

(1) Inventories by category:

<i>Item</i>	2020			2019		
	<i>Book value</i>	<i>Provision for impairment of inventories</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment of inventories</i>	<i>Carrying amount</i>
Raw materials	70,165,666	-	70,165,666	72,140,633	-	72,140,633
Work in progress	2,236,815,423	-	2,236,815,423	2,105,226,082	-	2,105,226,082
Finished goods	653,042,196	(14,474,634)	638,567,562	744,464,477	(20,179,637)	724,284,840
Total	2,960,023,285	(14,474,634)	2,945,548,651	2,921,831,192	(20,179,637)	2,901,651,555

(2) Provision for impairment of inventories:

<i>Item</i>	<i>Opening balance</i>	<i>Increase during the year</i>	<i>Decrease during the year</i>	<i>Closing balance</i>
		<i>Recognised</i>	<i>Reversal</i>	
Finished goods	20,179,637	14,474,634	(20,179,637)	14,474,634

7 Other current assets

<i>Item</i>	2020	2019
Prepaid income taxes	16,087,815	16,854,091
Input tax to be credited	215,812,506	250,552,566
Prepaid rent	2,218,394	1,595,664
Total	234,118,715	269,002,321

8 Long-term equity investments

(1) Long-term equity investments by category:

<i>Item</i>	2020	2019
Investments in joint ventures	42,019,654	43,981,130
Investments in associates	6,243,853	-
Sub-total	48,263,507	43,981,130
Less: Provision for impairment	-	-
Total	48,263,507	43,981,130

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

<i>Investee</i>	2020 <i>Balance at the beginning of the year</i>	<i>Movements during the year</i>		2020 <i>Closing balance</i>	<i>Shareholding percentage</i>
		<i>Increase in capital</i>	<i>Losses from investments under equity-method</i>		
Joint ventures					
SAS L&M Holdings ("L&M Holdings")	43,981,130	-	(1,961,476)	42,019,654	55%
Associates					
WEMISS (Shanghai) Enterprise Development Co., Ltd ("WEMISS Shanghai")	-	3,000,000	(256,110)	2,743,890	30%
Yantai Santai Real Estate Development Co., Ltd	-	3,500,000	(37)	3,499,963	35%
Sub-total	-	6,500,000	(256,147)	6,243,853	
Total	43,981,130	6,500,000	(2,217,623)	48,263,507	

9 Investment properties

	<i>Buildings and plants</i>
Cost	
Balance as at 31 December 2019 and 31 December 2020	70,954,045
Accumulated depreciation	
31 December 2019	(41,239,459)
Charge for the year	(2,656,856)
31 December 2020	(43,896,315)
Carrying amount	
31 December 2020	27,057,730
31 December 2019	29,714,586

10 Fixed assets

(1) Fixed assets

<i>Item</i>	<i>Plant & buildings</i>	<i>Machinery & equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost				
31 December 2019	5,157,724,379	2,741,954,286	26,777,052	7,926,455,717
Additions during the year				
- Purchases	38,183,113	76,184,901	1,292,028	115,660,042
- Transfers from construction in progress	5,962,066	5,450,980	-	11,413,046
Disposals or written-offs during the year				
31 December 2020	(65,110,863)	(36,280,680)	(502,488)	(101,894,031)
31 December 2019	5,136,758,695	2,787,309,487	27,566,592	7,951,634,774
Accumulated depreciation				
31 December 2019	(774,068,821)	(1,170,786,526)	(20,153,244)	(1,965,008,591)
Charge for the year				
31 December 2020	(138,522,840)	(154,702,790)	(2,341,841)	(295,567,471)
Disposals or written-offs during the year				
31 December 2020	20,009,805	30,842,868	502,488	51,355,161
31 December 2019	(892,581,856)	(1,294,646,448)	(21,992,597)	(2,209,220,901)
Provision for impairment				
31 December 2019	-	(17,478,027)	-	(17,478,027)
Charge for the year				
31 December 2020	-	-	-	-
31 December 2019	-	(17,478,027)	-	(17,478,027)
Carrying amount				
31 December 2020	4,244,176,839	1,475,185,012	5,573,995	5,724,935,846
31 December 2019	4,383,655,558	1,553,689,733	6,623,808	5,943,969,099

As at 31 December 2020, ownership restricted net value of fixed assets is RMB333,748,819 (31 December 2019: RMB344,670,852), referring to Note V. 51.

(2) Fixed assets leased out under operating leases

<i>Item</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Buildings	47,821,026	(16,328,522)	-	31,492,504
Machinery equipment	73,592,531	(52,434,878)	(17,478,027)	3,679,626
Motor vehicles	3,344,518	(3,179,606)	-	164,912
Total	124,758,075	(71,943,006)	(17,478,027)	35,337,042

(3) Fixed assets leased out under operating leases

<i>Item</i>	<i>Carrying amount at the end of the year</i>
Machinery equipment	15,825

(4) Fixed assets pending certificates of ownership

<i>Item</i>	<i>Carrying amount</i>	<i>Reason why the certificates are pending</i>
Industry Production Centre of R&D Centre	1,606,465,153	Processing
Dormitories, main building and reception building of Changan Chateau	283,897,062	Processing
European town, main building and service building of Chateau Beijing	176,052,749	Processing
Fermentation shop and warehouse of Xinjiang Tianzhu	16,480,122	Processing
Office and packaging shop of Golden Icewine Valley	9,360,274	Processing
Fermentation shop of Zhangyu (Jingyang)	5,504,822	Processing
Office, experiment building and workshop of Fermentation Centre	2,585,022	Processing
Finished goods warehouse and workshop of Kylin Packaging	2,215,494	Processing
Others	1,118,794	Processing

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

11 Construction in progress

(1) Construction in progress

<i>Project</i>	<i>2020</i>			<i>2019</i>		
	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
R&D Centre ("Changyu Wine Complex") Project	589,010,299	-	589,010,299	485,017,326	-	485,017,326
Ningxia Chateau Construction Project	420,440	-	420,440	46,448,561	-	46,448,561
Sales Company Construction Project	738,462	-	738,462	6,313,962	-	6,313,962
Changan Chateau Construction Project	7,626,393	-	7,626,393	4,052,839	-	4,052,839
Shihezi Chateau Construction Project	5,000	-	5,000	877,348	-	877,348
Other Companies' Construction Project	37,694,558	-	37,694,558	24,768,797	-	24,768,797
Total	635,495,152	-	635,495,152	567,478,833	-	567,478,833

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

<i>Item</i>	<i>Budget (RMB million)</i>	<i>Opening balance</i>	<i>Additions during the year</i>	<i>Transfers to fixed assets</i>	<i>Transfers to Intangible assets</i>	<i>Transfers to long-term deferred expenses</i>	<i>Closing balance</i>	<i>Percentage of actual cost to budget (%)</i>	<i>Accumulated capitalised interest</i>	<i>Attributable to: Interest capitalised for the year</i>	<i>Interest rate for capitalisation in 2020 (%)</i>	<i>Sources of funding</i>
Changyu Wine Complex	4,506	485,017,326	105,934,721	(1,941,748)	-	-	589,010,299	80.0%	16,210,123	797,021	1.2%及 4.3%	Loans from financial institutions and self-raised
Ningxia Chateau Construction Project	428	46,448,561	4,995,252	(2,294,265)	-	(48,729,108)	420,440	100.0%	-	-	-	Self-raised
Changan Chateau Construction Project	698	4,052,839	9,823,371	(6,249,817)	-	-	7,626,393	99.6%	-	-	-	Self-raised
Shihezi Chateau Construction Project	780	877,348	39,484	(911,832)	-	-	5,000	96.4%	-	-	-	Self-raised
Sales Company Construction Project	165	6,313,962	2,079,500	-	(7,655,000)	-	738,462	99.6%	-	-	-	Self-raised

12 Bearer biological assets

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

<i>Item</i>	<i>Immature biological assets</i>	<i>Mature biological assets</i>	<i>Total</i>
Original book value			
31 December 2019	12,828,822	240,517,972	253,346,794
Additions during the year			
- Increase in cultivated	3,018,864	-	3,018,864
- Transferred to mature	(8,240,129)	8,240,129	-
31 December 2020	7,607,557	248,758,101	256,365,658
Accumulated amortisation			
31 December 2019	-	(50,921,508)	(50,921,508)
Charge for the year	-	(13,270,614)	(13,270,614)
31 December 2020	-	(64,192,122)	(64,192,122)
Carrying amount			
31 December 2020	7,607,557	184,565,979	192,173,536
31 December 2019	12,828,822	189,596,464	202,425,286

As at 31 December 2020, there is no biological asset with ownership restricted (31 December 2019: Nil).

As at 31 December 2020, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2019: Nil).

13 Intangible assets

<i>Item</i>	<i>Land use rights</i>	<i>Software licenses</i>	<i>Trademarks</i>	<i>Total</i>
Original book value				
31 December 2019	531,755,702	88,927,195	170,773,266	791,456,163
Additions during the year				
- Purchase	314,211	2,393,612	18,496,021	21,203,844
- Transfers from construction in progress	-	7,655,000	-	7,655,000
31 December 2020	532,069,913	98,975,807	189,269,287	820,315,007
Accumulated amortisation				
31 December 2019	(89,333,506)	(35,237,011)	(14,341,798)	(138,912,315)
Additions during the year				
- Charge for the year	(11,164,963)	(9,088,033)	(160,631)	(20,413,627)
Decrease during the year				
31 December 2020	(100,498,469)	(44,325,044)	(14,502,429)	(159,325,942)
Carrying amount				
31 December 2020	431,571,444	54,650,763	174,766,858	660,989,065
31 December 2019	442,422,196	53,690,184	156,431,468	652,543,848

As at 31 December 2020, the Group has land use right with infinite useful lives of RMB30,746,186 (31 December 2019: RMB30,589,474), representing the freehold land held by Chile Indomita Wine Group and Australia Kilikanoon Estate under relevant Chile and Australia laws, on which the amortisation is not required.

As at 31 December 2020, the Group has trademark with infinite useful lives of RMB154,901,004 (31 December 2019: RMB154,674,985), which is held by Chile Indomita Wine Group and Australia Kilikanoon Estate. The recoverable amount of the trademark is determined according to the present value of the expected future cash flows generated from the asset group to which the single assets of trademark right belongs. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rates used in the cash flow projections are 11.5% and 12.8%, respectively. A key assumption in the estimate of future cash flows is the revenue growth rate in the projecting period. Such revenue growth rate is determined based on the industry and the expected growth rate of Chile Indomita Wine Group and Australia Kilikanoon Estate.

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

According to the result of impairment assessment, by the end of 31 December 2020, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2020, ownership restricted net value of intangible assets is RMB206,920,456 (31 December 2019: RMB212,495,435), referring to Note V. 51.

14 Goodwill

(1) Changes in goodwill

<i>Name of investee or events from which goodwill arose</i>	<i>Note</i>	<i>31 December 2019</i>	<i>Additions during the year</i>	<i>Disposals during the year</i>	<i>31 December 2020</i>
Original book value					
Etablissements Rouillet Fransac ("Rouillet Fransac")	(a)	13,112,525	-	-	13,112,525
Dicot Partners, S.L ("Dicot")	(a)	92,391,901	-	-	92,391,901
Chile Indomita Wine Group	(a)	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	(a)	37,063,130	-	-	37,063,130
Sub-total		149,437,671	-	-	149,437,671
Impairment provision		(7,578,478)	(8,920,981)	-	(16,499,459)
Carrying amount		141,859,193	(8,920,981)	-	132,938,212

(a) The Group acquired Fransac Sales, Dicot and Mirefleurs, Chile Indomita Wine Group and Australia Kilikanoon Estate in December 2013, September 2015, July 2017 and January 2018 respectively, resulting in respective goodwill amounting to RMB13,112,525, RMB92,391,901, RMB 6,870,115 and RMB37,063,130. The goodwill had been allocated to corresponding asset groups for impairment testing.

(2) Provision for impairment of goodwill

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

The recoverable amount of the asset group is determined according to the present value of the expected future cash flows. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rate used in calculating the recoverable amounts of Fransac Sales, Dicot, Mirefleurs, Indomita Wine and Australia Kilikanoon Estate are 12.6%, 11.2%, 11.5% and 12.8%, respectively (2019: 14.2%, 11.4%, 11.6% and 12.8%). The key assumption is the growth rate of annual revenue growth rate of relevant subsidiaries, which is computed based on the expected growth rate of each subsidiary and long-term average growth rates of relevant industries. Other relevant key assumption is budget gross profit margin, which is determined based on the historical performance of each subsidiary and its expectations for market development. According to the results of the impairment test, the Group found that the recoverable amount of the asset group including goodwill of Australia Kilikanoon Estate is lower than its book value. Therefore, on 31 December 2020, the provision for impairment of goodwill was RMB16,499,459. The impairment loss amounting to RMB8,920,981 was recognised in asset impairment loss in 2020.

15 Long-term deferred expenses

Item	31 December 2019	Additions during the year	Amortisation for the year	31 December 2020
Land lease prepayment	52,129,414	-	(788,199)	51,341,215
Land requisition fee	41,460,260	-	(1,880,339)	39,579,921
Greening fee	145,952,499	1,287,402	(9,054,648)	138,185,253
Leasehold improvement	35,871,673	48,910,962	(4,336,456)	80,446,179
Others	5,064,348	367,762	(518,823)	4,913,287
Total	280,478,194	50,566,126	(16,578,465)	314,465,855

16 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Item	31 December 2020		31 December 2019	
	Deductible or taxable temporary differences	Deferred tax assets/(liabilities)	Deductible or taxable temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets:				
Provision for impairment of assets	44,279,268	9,732,098	54,774,331	13,693,583
Unrealised profits of intra-group transactions	313,043,226	78,260,807	482,394,726	120,598,682
Unpaid bonus	147,824,610	36,956,152	184,674,946	46,168,736
Termination benefits	16,274,352	4,068,588	24,833,512	6,208,378
Deductible tax losses	268,074,301	65,844,999	247,147,752	63,459,305
Deferred income	52,653,609	11,378,631	70,643,437	15,422,659
Sub-total	842,149,366	206,241,275	1,064,468,704	265,551,343
Deferred tax liabilities:				
Revaluation due to business combinations involving entities not under common control	49,156,771	(12,022,613)	51,829,561	(14,691,424)

(2) Details of unrecognised deferred tax assets

<i>Item</i>	2020	2019
Deductible tax losses	187,130,828	132,081,819

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

<i>Year</i>	2020	2019
2020	-	5,718,454
2021	25,008,263	36,741,465
2022	21,367,869	26,609,674
2023	22,801,737	31,350,376
2024	42,088,453	31,661,850
2025	75,864,506	-
Total	187,130,828	132,081,819

17 Other non-current assets

<i>Item</i>	2020	2019
Royalty	170,370,147	193,674,320

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

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

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

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

As at 31 December 2020, the Group's royalty in 2020 was RMB23,304,173 (VAT included). When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB170,370,147.

18 Short-term loans

Short-term loans by category:

<i>Item</i>	2020	2019
Unsecured loans	619,149,908	661,067,617
Mortgaged loans	55,724,891	82,568,222
Guaranteed loans	14,215,916	10,677,905
Total	689,090,715	754,313,744

As at 31 December 2020, details of short-term borrowings were as follows:

	<i>Amount</i>	<i>Exchange rate</i>	<i>Amount</i>	<i>Nature of interest rate</i>	<i>Interest rate</i>	<i>Interest rate at the end of the year</i>
			<i>RMB</i>		<i>%</i>	<i>%</i>
Credit loans (RMB)	150,000,000	1.0000	150,000,000	Floating	1-year LPR-0.005	3.35%
Credit loans (RMB)	400,000,000	1.0000	400,000,000	Floating	Annual benchmark interest rate	3.35%
Credit loans (EUR)	1,697,075	8.0250	13,619,024	Fixed	1% - 3.28%	1% - 3.28%
Credit loans (USD)	8,490,000	6.5407	55,530,884	Fixed	1.26% - 1.38%	1.26% - 1.38%
Mortgaged loans (EUR)	3,683,730	8.0250	29,561,931	Fixed	0.35% - 0.9%	0.35% - 0.9%
Mortgaged loans (USD)	4,000,000	6.5407	26,162,960	Fixed	1.32%	1.32%
Guaranteed loans (AUD)	2,833,945	5.0163	14,215,916	Fixed	2.50%	2.50%
Total			689,090,715			

- As at 31 December 2020, mortgaged loans (EUR) were Hacienda y Viñedos Marques del Atrio, S.L.U ("Atrio") factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR3,558,629 (equivalent of RMB28,557,993) (31 December 2019: RMB54,663,422). Mortgaged loans were Atrio mortgaged EUR2,929,628 (equivalent of RMB23,510,265) of its land to Popular Español of EUR125,101 (equivalent of RMB1,003,938) (31 December 2019: RMB3,875,992).
- On 31 December 2020, Chile Indomita Wine Group pledged its fixed assets to Banco Scotiabank to borrow USD4,000,000 (equivalent to RMB26,162,960) (31 December 2019: RMB27,904,800).
- On 31 December 2020, the secured loan represented the secured loan of Australia Kilikanoon Estate of AUD2,833,945 (equivalent to RMB14,215,916) (31 December 2019: RMB10,677,905).

19 Accounts payable

<i>Ageing</i>	2020	2019
Within 1 year (inclusive)	477,926,275	565,400,597
Over 1 year but within 2 years (inclusive)	2,173,356	2,255,083
Over 2 years but within 3 years (inclusive)	1,277,767	3,007,686
Over 3 years	2,970,560	186,413
Total	484,347,958	570,849,779

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

20 Advance payments received

Details of advances from customers are as follows:

<i>Item</i>	2020	2019
Advances from customers	-	128,907,605

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

21 Contract liabilities

<i>Item</i>	As at 31 December 2020	As at 1 January 2020
Receipt in advance	118,210,799	115,054,878
Withholding sales rebates	16,862,481	11,855,592
Total	135,073,280	126,910,470

Contract liabilities primarily relate to the Group's advances from sales contracts of specific customers and the withholding sales rebates. Relevant contract liabilities are recognised as revenue when the control of the goods is transferred to the customer.

22 Employee benefits payable

(1) Employee benefits payable:

	Note	31 December 2019	Additions during the year	Decrease during the year	31 December 2020
Short-term employee benefits	(2)	215,231,685	439,138,855	(482,194,455)	172,176,085
Post-employment benefits - defined contribution plans	(3)	736,147	36,601,589	(37,008,262)	329,474
Termination benefits		24,833,512	1,542,160	(10,101,320)	16,274,352
Total		240,801,344	477,282,604	(529,304,037)	188,779,911

(2) Short-term employee benefits

	31 December 2019	Additions during the year	Decrease during the year	31 December 2020
Salaries, bonuses, allowances	218,360,023	391,442,192	(439,524,904)	170,277,311
Staff welfare	2,001,589	13,058,813	(13,325,679)	1,734,723
Social insurance	567,446	18,919,443	(19,146,156)	340,733
Medical insurance	567,446	18,085,064	(18,311,777)	340,733
Work-related injury insurance	-	699,316	(699,316)	-
Maternity insurance	-	135,063	(135,063)	-
Housing fund	14,195	12,761,086	(12,747,784)	27,497
Labour union fee, staff and workers' education fee	1,934,209	2,957,321	(3,016,738)	1,874,792
Sub-total	222,877,462	439,138,855	(487,761,261)	174,255,056
Less: Non-current liabilities	7,645,777	-	(5,566,806)	2,078,971
Total	215,231,685	439,138,855	(482,194,455)	172,176,085

(3) Post-employment benefits - defined contribution plans

	31 December 2019	Additions during the year	Decrease during the year	31 December 2020
Basic pension insurance	736,137	35,667,206	(36,073,879)	329,464
Unemployment insurance	10	934,383	(934,383)	10
Total	736,147	36,601,589	(37,008,262)	329,474

Pursuant to the *Notice of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of the Phased Reduction and Exemption of the Policy of Corporate Social Insurance Premiums (Ren She Bu Fa [2020] No.49)*, from February 2020 to the end of June 2020, all provinces (except Hubei Province) implemented the policy of halving the payment of three types of social insurances (i.e. basic endowment insurance, unemployment insurance and work-related injury insurance) for insured entities of large enterprises; from February 2020 to the end of December 2020, all provinces implemented the exemption policy for the payment of three types of social insurances for insured entities of medium, small and micro enterprises. The Company's branches and subsidiaries, such as Yantai Changyu Pioneer Wine Sales Co., Ltd., applied the preferential policies for large enterprises from February 2020 to the end of June 2020 and the payment of three types of social insurances was levied by half; the Company's branches and subsidiaries, such as Hangzhou Changyu Wine Sales Co., Ltd. applied the preferential policies for medium, small and micro enterprises from February 2020 to the end of December 2020 and the payment of three types of social insurances was exempted.

23 Taxes payable

Item	2020	2019
Value-added tax	25,853,102	88,590,035
Consumption tax	42,076,231	48,497,550
Corporate income tax	130,621,524	217,226,553
Individual income tax	614,344	843,601
Tax on the use of urban land	2,327,666	2,263,012
Education surcharges	2,498,374	4,858,987
Urban maintenance and construction tax	3,429,038	6,726,425
Others	5,992,534	6,614,132
Total	213,412,813	375,620,295

24 Other payables

	Note	31 December 2020	31 December 2019
Interest payable		553,471	758,047
Dividends payable		1,003,125	1,866,559
Others	(1)	384,548,930	453,855,783
Total		386,105,526	456,480,389

(1) Others

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

<i>Item</i>	2020	2019
Deposit payable to dealer	177,129,582	164,994,995
Advertising fee payable	50,444,091	91,091,404
Equipment and construction fee payable	51,381,563	72,004,009
Freight charges payable	26,061,359	31,960,557
Deposits due to suppliers	14,836,302	14,081,530
Contracting fee payable	9,656,066	16,997,685
Staff deposit	359,282	1,866,765
Others	54,680,685	60,858,838
Total	384,548,930	453,855,783

(b) Significant others aged over one year:

<i>Item</i>	<i>Balance at the end of the year</i>	<i>Reasons why not settled</i>
Weicheng Branch of Bureau of Land and Resources in Xianyang City	16,508,909	Project subject to acceptance

25 Other current liabilities

<i>Item</i>	<i>As at 31 December 2020</i>	<i>As at 1 January 2020</i>	<i>As at 31 December 2019</i>
Tax to be transferred out as sales	14,820,653	13,852,726	-

26 Non-current liabilities due within one year

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

<i>Item</i>	2020	2019
Long-term loans due within one year	111,311,890	116,826,221
Long-term payables due within one year	22,000,000	34,000,000
Total	133,311,890	150,826,221

27 Long-term loans

(1) Long-term loans by category

<i>Item</i>	2020	2019
Credit loans	220,219,258	136,749,730
Guaranteed loans	91,445,600	105,093,000
Mortgaged loans	-	3,875,992
Less: Long-term loans due within one year	111,311,890	116,826,221
Total	200,352,968	128,892,501

As at 31 December 2020, details of long-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year	Long-term loans due within one year	Long-term loans due after one year
			RMB		%	%		
Credit loans (EUR)	27,441,652	8.0250	220,219,258	Fixed	1.0%-1.7%	1.25%-3.28%	86,311,890	133,907,368
Guaranteed loans (RMB)	31,250,000	1.0000	31,250,000	Floating	90% of 5-year LPR	4.275%	25,000,000	6,250,000
Guaranteed loans (AUD)	12,000,000	5.0163	60,195,600	Fixed	2.50%	2.50%	-	60,195,600
Total			311,664,858				111,311,890	200,352,968

As at 31 December 2020, Credit loans(EUR) were EUR27,441,652 borrowed by Banco Sabadell, Bankia, Banco Santander, BBVA, Caja Rural de Navarr etc. (equivalent of RMB220,219,258) (31 December 2019: RMB136,749,730). Guaranteed loans (RMB) were long-term borrowings of RMB31,250,000 of the R&D Centre, a subsidiary of the Company (31 December 2019: RMB56,250,000). Australia Kilikanoon Estate has borrowed AUD12,000,000(equivalent of RMB60,195,600) (31 December 2019: RMB48,843,000) from ANZ Bank and it was guaranteed by the Company.

28 Long-term payables

Item	2020	2019
Agricultural Development Fund of China ("CADF")	108,000,000	225,000,000
Less: Long-term payables due within one year	22,000,000	34,000,000
Balance of long-term payables	86,000,000	191,000,000

In 2016, RMB305,000,000 from CADF was invested in R&D Centre, CADF accounted for 37.9% of the registered capital. According to the investment agreement, CADF will recovery investment funds over 10 years, the investment income received equal to 1.2% of the remaining unpaid principal per annum. In addition to the fixed income, CADF will no longer enjoy other profits or bear the loss of R&D Centre. Therefore, although the investment in R&D Centre, nominally equity investment, is actually a debt investment (financial discount loan). The Group take this investment as long-term payables, which measured in amortized cost. The Group repays the principal of RMB117,000,000 in 2020. Refer to Note V. 51 for details of mortgaged and pledged assets.

Balance of long-term payables	Return on investment	Investment date	Termination date of repayment	Due within one year	Due after one year	Mortgaged and pledged assets
RMB				RMB	RMB	
108,000,000	1.2%	29 February 2016	28 February 2025	22,000,000	86,000,000	Fixed assets and intangible assets

29 Deferred income

Item	31 December 2019	Additions during the year	Decrease during the year	31 December 2020
Government grants	70,701,288	1,367,400	(19,415,079)	52,653,609

Government grants:

<i>Liability</i>	<i>31 December 2019</i>	<i>Additions of government grants during the year</i>	<i>Amounts recognised in other income during the year</i>	<i>31 December 2020</i>	<i>Related to assets/income</i>
Industrial development support project	28,700,000	-	(4,100,000)	24,600,000	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	4,716,600	-	(2,280,000)	2,436,600	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	4,000,000	-	(2,000,000)	2,000,000	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	14,220,000	-	(1,422,000)	12,798,000	Government grants related to assets
Special government grant for infrastructure	3,180,000	-	(1,060,000)	2,120,000	Government grants related to assets
Raw wine fermentation project	1,869,600	-	(1,434,900)	434,700	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	2,800,000	-	(400,000)	2,400,000	Government grants related to assets
Engineering technology transformation of information system project	2,320,000	-	(580,000)	1,740,000	Government grants related to assets
Liquor electronic tracking project	1,858,203	-	(667,053)	1,191,150	Government grants related to assets
Infrastructure construction project	350,000	-	(350,000)	-	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,877,000	-	(562,000)	1,315,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	898,100	-	(128,300)	769,800	Government grants related to assets
Wine industry development project	372,000	-	(186,000)	186,000	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	265,397	-	(26,539)	238,858	Government grants related to assets
Coal subsidy	201,500	-	(201,500)	-	Government grants related to assets
Cross-border e-commerce project	839,958	-	(638,157)	201,801	Related to income
Travelling development fund subsidy project	560,000	-	(560,000)	-	Related to income
Water pollution control project fund	92,930	-	(92,930)	-	Related to income
Subsidy for boiler reconstruction and demolition	80,000	-	(10,000)	70,000	Related to income
Special funds for the development of enterprises	1,500,000	-	(1,500,000)	-	Related to income
Prize from Industrial Design Competition of Yantai Mayor's Cup	-	100,000	(50,000)	50,000	Related to income
Special Funds for Innovation-Driven Development of Yantai City	-	500,000	(398,300)	101,700	Related to income
Total	70,701,288	600,000	(18,647,679)	52,653,609	

30 Other non-current liabilities

<i>Item</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Employee benefits payable	2,078,971	7,645,777

As at 31 December 2020, employee benefit represents deposit from bonus accrued for managers and above. The bonus is expected to be paid in 2022.

31 Share capital

	<i>At 31 December 2019 and 31 December 2020</i>
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

32 Capital reserve

<i>Item</i>	<i>31 December 2019</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>31 December 2020</i>
Share premium	636,858,772	-	(117,806,600)	519,052,172
Others	5,916,588	-	-	5,916,588
Total	642,775,360	-	(117,806,600)	524,968,760

The balance amounting to RMB28,286,811 between the long-term equity investment acquired due to the purchase of minority shareholding and the share of net assets continuously calculated since the date of acquisition by the subsidiary based on the proportion of newly increased shareholding shall be offset against the capital reserve. Details of non-controlling interests acquired during the year, see Note- VII. 2.

During the reporting period, the Group purchased the equity of Culture Development, which constituted a business combination involving entities under common control. The Group reduced the capital reserve by RMB89,519,789 based on the consideration of combination paid on the date of combination. Please refer to Note VI for details.

33 Other comprehensive income

<i>Item</i>	<i>Balance at the beginning of the year attributable to shareholders of the Company</i>	<i>Accrued during the year</i>					<i>Balance at the end of the year attributable to shareholders of the Company</i>
		<i>Before-tax amount</i>	<i>Less: Previously recognised amount transferred to profit or loss</i>	<i>Less: Income tax expenses</i>	<i>Net-of-tax amount attributable to shareholders of the Company</i>	<i>Net-of-tax amount attributable to non-controlling interests</i>	
Items that may be reclassified to profit or loss							
Translation differences arising from translation of foreign currency financial statements	(4,235,583)	5,171,635	-	-	4,811,712	359,923	576,129

34 Surplus reserve

<i>Item</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Statutory surplus reserve	342,732,000	342,732,000

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

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

35 Retained earnings

<i>Item</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Retained earnings at the beginning of the year (before adjustment)		8,735,513,044	8,008,982,547
Impact of retrospective adjustment of accounting standards	(1)(a)	-	(7,540,537)
Impact of business combination involving entities under common control	(1)(b)	-	12,482,138
Retained earnings at the beginning of the year (after adjustment)		8,735,513,044	8,013,924,148
Add: Net profits for the year attributable to shareholders of the Company		470,860,587	1,141,367,296
Less: Dividends to ordinary shares	(2)	(479,824,800)	(411,278,400)
Distribution of dividends to existing shareholders from Culture Development		(12,457,076)	(8,500,000)
Retained earnings at the end of the year	(3)	8,714,091,755	8,735,513,044

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

- (a) As a result of the implementation of the new financial instrument standards by the Group in 2019, the undistributed profit at the beginning of 2019 was reduced by RMB7,540,537.
- (b) Since the acquisition of the equity of Culture Development constituted a combination under common control, the undistributed profit at the beginning of 2019 increased by RMB12,482,138 (see Note VI).

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

Pursuant to the shareholders' approval at the shareholders' general meeting on 27 May 2020, a cash dividend of RMB0.7 per share (2019: RMB0.6 per share), totalling RMB479,824,800 (2019: RMB411,278,400), was declared and paid to the Company's ordinary shareholders on 10 July 2020.

(3) Retained earnings at the end of the year

As at 31 December 2020, the consolidated retained earnings attributable to the Company included an appropriation of RMB58,021,644 (2019: RMB56,059,538) to surplus reserve made by the subsidiaries.

36 Operating income and operating costs

<i>Item</i>	2020		2019	
	<i>Income</i>	<i>Cost</i>	<i>Income</i>	<i>Cost</i>
Principal activities	3,325,812,768	1,479,923,326	4,964,988,674	1,839,985,387
Other operating activities	69,589,233	23,954,081	109,037,225	37,673,351
Total	3,395,402,001	1,503,877,407	5,074,025,899	1,877,658,738

(1) Details of 2020 operating income:

<i>Item</i>	2020	
	<i>Income</i>	<i>Cost</i>
Principal activities	3,325,812,768	1,479,923,326
Other operating activities	69,589,233	23,954,081
Total	3,395,402,001	1,503,877,407
Including: Revenue from contracts with customers	3,393,386,515	1,502,467,908
Rent income	2,015,486	1,409,499

Disaggregation of revenue from contracts with customers:

<i>Type of contract</i>	2020
By type of goods or services	
- Liquor	3,325,812,768
- Others	67,573,747
By timing of transferring goods or services	
- Revenue recognised at a point in time	3,393,386,515

(2) Details of 2019 operating income:

	2019
Principal activities	
- Selling goods	4,964,988,674
Other operating activities	
- Rent income	2,015,486
- Others	107,021,739
Total	5,074,025,899

37 Taxes and surcharges

<i>Item</i>	2020	2019
Consumption tax	120,563,955	159,206,181
Urban maintenance and construction tax	23,169,608	36,525,428
Education surcharges	16,756,851	26,728,398
Property tax	26,843,414	30,538,234
Tax on the use of urban land	11,332,778	11,219,740
Stamp duty	3,650,250	3,117,257
Others	1,472,418	2,553,443
Total	203,789,274	269,888,681

38 Selling and distribution expenses

<i>Item</i>	2020	2019
Salaries and benefits	289,527,114	372,247,597
Marketing fee	200,259,537	378,706,496
Labour service fee	58,723,298	72,851,229
Depreciation expense	41,224,340	42,943,495
Storage rental	35,744,058	38,773,610
Advertising fee	22,724,095	47,339,106
Royalty	21,985,068	(182,711,622)
Travelling expenses	20,065,075	26,383,799
Design and production fee	15,427,023	27,238,641
Conference fee	15,387,699	42,369,153
Water, electricity and gas fee	13,427,340	14,773,735
Transport charges	-	122,802,027
Others	53,757,838	84,588,119
Total	788,252,485	1,088,305,385

39 General and administrative expenses

<i>Item</i>	2020	2019
Salaries and benefits	73,329,053	90,477,287
Depreciation expenses	72,637,754	61,831,915
Repair costs	23,714,008	28,555,032
Administrative expenses	20,927,794	23,101,636
Amortisation expenses	19,568,760	18,373,495
Amortisation of greening fee	18,187,244	18,409,031
Rental charge	9,969,494	12,938,864
Safety production costs	7,831,443	9,510,828
Security and cleaning fee	7,650,813	8,124,135
Contracting fee	7,603,536	13,377,255
Others	29,226,567	27,205,178
Total	290,646,466	311,904,656

40 Financial expenses

<i>Item</i>	2020	2019
Interest expenses from loans and payables	35,187,642	50,212,059
Less: Borrowing costs capitalised	797,021	1,141,265
Less: Financial expenses offset by fiscal interest subsidy	1,500,000	7,500,000
Interest income from deposits and receivables	(14,247,274)	(12,327,441)
Net exchange (gains)/losses	(274,140)	3,611,536
Other financial expenses	2,072,506	2,447,340
Total	20,441,713	35,302,229

Fiscal interest subsidy during reporting period has been included in non-recurring gains and losses.

41 Other income

<i>Item</i>	2020	2019	<i>Related to assets/income</i>
Reward on the fixed asset investment	2,280,000	2,280,000	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	2,000,000	2,000,000	Government grants related to assets
Industrial development support project	4,100,000	4,100,000	Government grants related to assets
Others - Government grants related to assets	7,018,292	7,567,504	Government grants related to assets
Special funds for the development of enterprises	23,068,826	37,449,390	Related to income
Tax refunds	12,324,440	8,724,775	Related to income
Strong industrial city special funds	792,600	2,518,700	Related to income
Others - Government grants related to income	21,479,462	12,730,472	Related to income
Total	73,063,620	77,370,841	

Other income during reporting period has been included in non-recurring gains and losses.

42 Investment (losses)/income

Investment (losses)/income by item

<i>Item</i>	2020	2019
Long-term equity investment losses under equity method	(2,217,623)	(1,120,928)
Investment income from disposal of long-term equity investments	-	6,233,661
Total	(2,217,623)	5,112,733

43 Credit reversal/(losses)

<i>Item</i>	2020	2019
Accounts receivable	4,348,309	(6,678,498)
Total	4,348,309	(6,678,498)

44 Impairment losses

<i>Item</i>	2020	2019
Inventories	5,705,003	4,503,589
Fixed assets	-	(17,478,027)
Goodwill	(8,920,981)	(7,578,478)
Total	(3,215,978)	(20,552,916)

45 (Loss)/Gains from asset disposals

<i>Item</i>	2020	2019
(Loss)/Gains from disposal of fixed assets	(1,180,655)	39,015

Gains from disposal of assets during reporting period has been included in non-recurring gains and losses.

46 Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

<i>Item</i>	2020	2019
Inventory stocktake surplus	3,823,905	134,563
Insurance compensation	3,067,670	90,000
Net income from fine	3,098,877	2,593,116
Others	1,918,058	8,203,624
Total	11,908,510	11,021,303

Non-operating income during reporting period has been included in non-recurring gains and losses.

(2) Non-operating expenses

<i>Item</i>	2020	2019
Compensation, penalty and fine expenses	347,635	403,975
Donations provided	1,048,300	699,296
Others	306,923	2,531,281
Total	1,702,858	3,634,552

Non-operating expenses during reporting period has been included in non-recurring gains and losses.

47 Income tax expenses

<i>Item</i>	<i>Note</i>	2020	2019
Current tax expense for the year based on tax law and regulations		135,163,243	389,906,096
Changes in deferred tax assets/liabilities	(1)	56,641,257	15,691,224
Total		191,804,500	405,597,320

- (1) The analysis of changes in deferred tax is set out below:

<i>Item</i>	2020	2019
Origination of temporary differences	56,641,257	15,691,224
Total	56,641,257	15,691,224

- (2) Reconciliation between income tax expenses and accounting profit:

<i>Item</i>	2020	2019
Profit before taxation	664,866,563	1,547,603,020
Estimated income tax at 25%	166,216,641	386,900,755
Effect of different tax rates applied by subsidiaries	1,310,363	(707,938)
Effect of non-deductible costs, expense and losses	7,185,074	7,224,709
Effect of deductible losses of deferred tax assets not recognised for the year	16,417,337	7,397,810
Deferred tax assets written-off	675,085	4,781,984
Income tax expenses	191,804,500	405,597,320

48 Basic earnings per share and diluted earnings per share

- (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	470,860,587	1,141,367,296
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	0.69	1.67

Weighted average number of ordinary shares is calculated as follows:

	2020	2019
Issued ordinary shares at the beginning of the year	685,464,000	685,464,000
Weighted average number of ordinary shares at the end of the year	685,464,000	685,464,000

- (2) The Group does not have any potential dilutive ordinary shares for the listed years.

49 Cash flow statement

- (1) Proceeds relating to other operating activities:

<i>Item</i>	2020	2019
Government grants	56,515,941	69,311,576
Penalty income	3,098,877	2,593,116
Interest income from bank	14,396,201	12,463,811
Others	7,186,229	12,149,263
Total	81,197,248	96,517,766

(2) Payments relating to other operating activities:

<i>Item</i>	2020	2019
Selling and distribution expenses	399,973,695	770,753,478
General and administrative expenses	127,666,411	138,738,416
Others	24,250,891	12,856,014
Total	551,890,997	922,347,908

(3) Proceeds relating to other financing activities:

<i>Item</i>	2020	2019
Cash paid for acquisition of minority interests	62,966,747	11,619,552

50 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

a. Reconciliation of net profit to cash flows from operating activities:

<i>Item</i>	2020	2019
Net profit	473,062,063	1,142,005,700
Add: Provisions for impairment of assets	3,215,978	20,552,916
Credit (reversal)/ losses	(4,348,309)	6,678,498
Depreciation of fixed assets and investment property	298,224,327	306,907,536
Amortisation of intangible assets	20,413,627	20,194,590
Amortisation of long-term deferred expenses	16,578,465	15,475,669
Amortisation of biological assets	13,270,614	12,722,828
Losses/(Gains) from disposal of fixed assets, intangible assets, and other long-term assets	1,338,570	(39,015)
Financial expenses	36,134,118	49,520,411
Royalty	21,985,068	(182,711,622)
Investment losses/(income)	2,217,623	(5,112,733)
Decrease in deferred tax assets	59,310,068	23,010,447
Decrease in deferred tax liabilities	(2,668,811)	(7,319,223)
Increase in gross inventories	(38,192,093)	(163,688,318)
Increase in operating receivables	(41,443,296)	(288,772,895)
Decrease in operating payables	(353,951,339)	(100,572,429)
Net cash flows from operating activities	505,146,673	848,852,360

b. Significant investing and financing activities not requiring the use of cash:

<i>Item</i>	2020	2019
Payment of intangible assets and other long-term assets by bank acceptances	141,440,165	165,716,961

c. Change in cash and cash equivalents:

<i>Item</i>	2020	2019
Cash equivalents at the end of the year	1,052,665,105	1,397,399,470
Less: Cash equivalents at the beginning of the year	1,397,399,470	1,236,286,117
Net (decrease)/increase in cash and cash equivalents	(344,734,365)	161,113,353

(2) Information on acquisition or disposal of subsidiaries and other business units during the year:

Information on acquisition of subsidiaries and other business units:

	2020	2019
Consideration for acquiring subsidiaries and other business units	89,519,789	-
Cash or cash equivalents paid during the year for acquiring subsidiaries and other business units during the year	89,519,789	-
Including: Culture Development	89,519,789	-
Less: Cash and cash equivalents held by disposed subsidiaries and other business units	-	-
Net cash paid for the acquisition	89,519,789	-

(3) Details of cash and cash equivalents

<i>Item</i>	2020	2019
Cash at bank and on hand		
Including: Cash on hand	19,637	65,195
Bank deposits available on demand	1,052,645,468	1,397,334,275
Closing balance of cash and cash equivalents	1,052,665,105	1,397,399,470

51 Assets with restrictive ownership title or right of use

<i>Item</i>	<i>Opening balance</i>	<i>Balance at the end of the year</i>	<i>Reason for restriction</i>
Cash at bank and on hand	93,882,705	67,996,762	R&D Centre mortgage for long-term payables etc.
Account receivable (i)	54,663,422	28,557,991	Short-term borrowings mortgage from Atrio
Fixed assets	344,670,852	333,748,819	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	212,495,435	206,920,456	R&D Centre mortgage for long-term payables
Total	705,712,414	637,224,028	

- (i) As at 31 December 2020, the amount of accounts receivable with restricted ownership is EUR 3,558,628 (equivalent of RMB28,557,991), which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2019: EUR6,994,232, equivalent of RMB54,663,422)

VI Change of consolidation scope

Business combination involving entities under common control

(1) Business combinations involving entities under common control during the year

Name of acquiree	Proportion of equity interests acquired in business combination	Basis for business combination under common control	Acquisition Date	Basis for determination of acquisition date	From the beginning of the year to the acquisition date			2019	
					Income	Net profit	Net cash outflow	Income	Net profit
Culture Development	100%	The Company and Culture Development were controlled by Changyu Group before the combination on a non-transitional basis	As at 1 July 2020	Acquisition of effective control	39,533,385	10,730,129	3,057,305	82,390,613	11,709,978

Culture Development is a company established in Zhifu District, Yantai City on 18 May 2018. Its headquarters is based in Zhifu District, Yantai City. It is mainly engaged in the management of tourist attractions, the development of tourism resources and the provision of cultural tourism services.

(2) Acquisition cost

Acquisition cost	Culture Development
Cash	89,519,789
Total	89,519,789

(3) Carrying values of assets and liabilities of the acquiree at the acquisition date

	Culture Development	
	Acquisition date	31 December 2019
Assets		
Cash at bank and on hand	8,238,501	11,295,806
Receivables	4,932,103	493,028
Receivables under financing	50,000	800,000
Prepayments	41,339	56,619
Other receivables	74,448,103	25,334,395
Inventories	20,656,182	31,737,700
Fixed assets	4,379,150	49,900,202
Construction in progress	560,463	597,493
Long-term deferred expenses	2,673,135	2,882,786
Liabilities:		
Payables	3,994,056	9,251,396
Receipt in advance	4,131,134	8,298,105
Taxes payable	1,893,962	(1,127,059)
Other payables	13,480,254	10,146,379
Net asset	92,479,570	96,529,208
Less: Non-controlling interests	-	1,948,333
Net assets acquired	92,479,570	94,580,875

Culture Development adopted accounting policies different from those adopted in the preparation of the Company's financial statements before combination. On the acquisition date, the Company adjusted the financial statements prepared by Culture Development under the accounting policies adopted in the preparation of the Company's financial statements.

VII. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Xinjiang Tianzhu Wine Co., Ltd. ("Xinajing Tianzhu")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB75,000,000	60	-	Business combinations involving entities not under common control
Etablissements Roullet Fransac ("Roullet Fransac")	Cognac, France	Cognac, France	Trading	EUR2,900,000	-	100	Business combinations involving entities not under common control
Dicot Partners, S.L ("Dicot")	Navarre, Spain	Navarre, Spain	Marketing and sales	EUR2,000,000	90	-	Business combinations involving entities not under common control
Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SpA. ("Chile Indomita Wine Group")	Santiago, Chile	Santiago, Chile	Marketing and sales	CLP31,100,000,000	85	-	Acquired through establishment or investment
Kilikanoon Estate Pty Ltd. ("Australia Kilikanoon Estate")	Adelaide, Australia	Adelaide, Australia	Marketing and sales	AUD6,420,000	97.5	-	Business combinations involving entities not under common control
Beijing Changyu Sales and Distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB15,410,000	100	-	Acquired through establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd ("Chateau Changyu") (d)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	USD5,000,000	70	-	Acquired through establishment or investment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB1,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB8,000,000	100	-	Acquired through establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	USD6,108,818	39	10	Acquired through establishment or investment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Beijing Changyu AFIP Agriculture development Co., Ltd. ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Beijing Chateau Changyu AFIP Global Co., Ltd. ("AFIP") (e)	Beijing, China	Beijing, China	Manufacturing	RMB642,750,000	91.53	-	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	70	30	Acquired through establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Ningxia Changyu Grape Growing Co., Ltd. ("Ningxia Growing")	Yinchuan, Ningxia, China	Ningxia, China	Plating	RMB1,000,000	100	-	Acquired through establishment or investment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Marketing and sales	RMB2,000,000	100	-	Acquired through establishment or investment
Liaoning Changyu Golden Icewine Valley Co., Ltd. ("Golden Icewine Valley") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	RMB59,687,300	51	-	Acquired through establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Services	RMB500,000	-	100	Acquired through establishment or investment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Changyu (Ningxia) Wine Co., Ltd. ("Ningxia Wine")	Ningxia, China	Ningxia, China	Manufacturing	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai, Shandong, China	Yantai, Shandong, China	Wholesale and retail	RMB400,000,000	65	35	Acquired through establishment or investment
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales") (a)	Ningxia, China	Ningxia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB550,000,000	100	-	Acquired through establishment or investment
Ningxia Chateau Changyu Moser XV Co., Ltd. ("Chateau Ningxia")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	RMB2,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Co., Ltd. ("Chateau Changan")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB20,000,000	100	-	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (g)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	82.24	-	Acquired through establishment or investment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi, Liaoning, China	Benxi, Liaoning, China	Wine production projecting	RMB5,000,000	100	-	Acquired through establishment or investment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Marketing and sales	RMB10,000,000	-	100	Acquired through establishment or investment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd ("Shaanxi Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB3,000,000	-	100	Acquired through establishment or investment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai, Shandong, China	Penglai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Francs Champs Participations SAS ("Francs Champs")	Cognac, France	Cognac, France	Investment and trading	EUR32,000,000	100	-	Acquired through establishment or investment
Tianjin Changyu Pioneer Sales Co., Ltd ("Tianjin Pioneer")	Tianjin, China	Tianjin, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Beijing Changyu Pioneer Sales Co., Ltd ("Beijing Pioneer") (a)	Beijing, China	Beijing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Yantai Roullet Fransac Wine Sales Co., Ltd. ("Yantai Roullet Fransac")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Guangzhou Changyu Pioneer Sales Co., Ltd ("Guangzhou Pioneer") (a)	Guangzhou, Guangdong, China	Guangzhou, Guangdong, China	Marketing and sales	RMB11,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Tourism Co., Ltd ("Chateau Tourism")	Xianxin, Shaanxi, China	Xianxin, Shaanxi, China	Tourism	RMB1,000,000	-	100	Acquired through establishment or investment
Longkou Changyu Wine Sales Co., Ltd ("Longkou Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Culture Development (b)	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB10,000,000	100	-	Acquired through establishment or investment
Museum (b)	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Yantai Changyu Culture Tourism Production Sales Co., Ltd. ("Culture Sales") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB5,000,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB60,000,000	-	100	Acquired through establishment or investment
Yantai KOYA Brandy Chateau Co., Ltd ("Chateau KOYA") (c)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB10,000,000	100	-	Acquired through establishment or investment
Changyu (Shanghai) International Digital Marketing Center Limited ("Digital Marketing") (c)	Shanghai, China	Shanghai, China	Marketing and sales	RMB50,000,000	100	-	Acquired through establishment or investment

- (a) Companies above were deregistered in 2020.
- (b) On 1 July 2020, Changyu Group and the Company signed the Equity Transfer Agreement of Culture Development pursuant to which Changyu Group shall transfer its 100% equity in Culture Development at a consideration of RMB89,519,789 to the Company. The Company adjusted the difference between the book value of Culture Development's net assets and the equity transfer price on the acquisition date to the Company's capital reserve of RMB2,959,781. Musuem, Culture Sales and Window of the Wine City are all wholly-owned subsidiaries of Culture Development.
- (c) The companies above are newly established companies in 2020.

Reasons for the inconsistency between the proportion of shareholdings in a subsidiary and the proportion of voting rights:

- (d) Chateau Changyu is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (e) AFIP is a limited liability company established by Yantai Dean and Beijing Qinglang. In June 2019, Yantai Dean transferred 1.31% of its equity to Yantai Changyu. After the equity change, the Company holds 91.53% of its equity. Through agreement arrangement, the Company has the full power to control AFIP's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2024.
- (f) Golden Icewine Valley is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Golden Icewine Valley's equity interest. Through agreement arrangement, the Company has the full power to control Golden Icewine Valley's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2021.
- (g) R&D Centre is a joint venture established by the Company and CADF, accounting for 82.24% of R&D Centre's equity interest. Through agreement arrangement in Note V. 28, the Company has the full power to control R&D Centre's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 28 February 2025. As at 31 December 2020, remaining investment of CADF accounts for 17.76% of the registered capital.

(2) Material non-wholly owned subsidiaries

<i>Name of the Subsidiary</i>	<i>Proportion of ownership interest held by non-controlling interests</i>	<i>Comprehensive income attributable to non-controlling interests for the year</i>	<i>Dividend declared to non-controlling shareholders during the year</i>	<i>Balance of non-controlling interests at the end of the year</i>
Xinjiang Tianzhu	40%	1,466,038	-	(46,118,100)
AFIP	8.47%	-	-	(56,409,393)
Golden Icewine Valley	49%	-	-	(33,319,062)
IWCC	15%	(2,763,125)	684,907	(56,009,346)

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	<i>Xinjiang Tianzhu</i>		<i>AFIP</i>		<i>Golden Icewine Valley</i>		<i>Chile Indomita Wine Group</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Current assets	24,223,370	24,829,435	248,357,550	251,829,164	27,638,263	38,234,720	231,503,343	223,722,688
Non-current assets	45,465,308	61,886,751	434,045,076	452,444,880	24,246,983	23,291,375	291,345,642	291,630,115
Total assets	69,688,678	86,716,186	682,402,626	704,274,044	51,885,246	61,526,095	522,848,985	515,352,803
Current liabilities	(17,583)	36,185	41,910,462	45,607,611	9,967,686	12,077,206	132,100,755	142,365,749
Non-current liabilities	5,336,115	5,336,114	-	201,500	-	100,000	9,794,949	5,152,974
Total liabilities	5,318,532	5,372,299	41,910,462	45,809,111	9,967,686	12,177,206	141,895,704	147,518,723
Operating income	-	-	168,184,273	266,347,444	20,488,946	32,223,734	225,121,450	253,543,171
Net (loss)/ profit	(3,665,095)	(7,571,274)	2,092,230	30,398,744	(7,431,328)	(5,764,649)	18,196,663	16,279,461
Total comprehensive income	(3,665,095)	(7,571,274)	2,092,230	30,398,744	(7,431,328)	(5,764,649)	18,420,833	10,322,810
Cash flows from operating activities	(105,873)	20,457	3,821,964	27,503,336	4,654,744	1,655,465	37,132,027	5,073,408

2 Transactions that cause changes in interests in subsidiaries that do not result in loss of control

(1) Changes in interests in subsidiaries:

<i>Year</i>	<i>Name of the Subsidiary</i>	<i>Proportion of ownership interest held by non-controlling interests acquired</i>	<i>Acquisition date</i>
2020	Museum	10.00%	27 March 2020
2020	Dicot	15.00%	31 August 2020
2020	Australia Kilikanoon Estate	15.00%	26 November 2020

(2) Impact from transactions with non-controlling interests and equity attributable to the shareholders of the Company:

	<i>Museum</i>	<i>Dicot</i>	<i>Australia Kilikanoon Estate</i>
Purchase cost			
- Cash	1,033,911	42,991,725	18,941,111
Total	1,033,911	42,991,725	18,941,111
Less: share of net assets in subsidiaries based on the shares acquired	655,653	21,241,590	12,782,693
Difference			
Including: Adjustment on capital reserve	378,258	21,750,135	6,158,418

VIII. Risk related to financial instruments

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

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

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

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

1 Credit risk

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

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

As at 31 December 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 31 December 2020, 20.3% of the Group trade receivables are due from top five customers (31 December 2019: 20.5%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

2 Liquidity risk

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

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

Item	2020 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	698,571,997	-	-	-	698,571,997	689,090,715
Accounts payable	484,347,958	-	-	-	484,347,958	484,347,958
Other payables	386,105,526	-	-	-	386,105,526	386,105,526
Long-term loans (including the portion due within one year)	33,175,345	24,182,478	149,719,792	135,013,150	342,090,765	311,664,858
Long-term payables (including the portion due within one year)	23,074,674	22,810,674	64,868,800	-	110,754,148	108,000,000
Total	1,625,275,500	46,993,152	214,588,592	135,013,150	2,021,870,394	1,979,209,057

Item	2019 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	768,403,432	-	-	-	768,403,432	754,313,744
Accounts payable	570,849,779	-	-	-	570,849,779	570,849,779
Other payables	456,480,389	-	-	-	456,480,389	456,480,389
Long-term loans (including the portion due within one year)	121,077,261	51,214,719	77,814,096	5,577,899	255,683,975	245,718,722
Long-term payables (including the portion due within one year)	36,462,109	36,054,170	106,374,904	55,473,753	234,364,936	225,000,000
Total	1,953,272,970	87,268,889	184,189,000	61,051,652	2,285,782,511	2,252,362,634

3 Interest rate risk

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

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	2020		2019	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	1.5% - 2.75%	93,553,062	1.1% - 2.75%	154,364,265
Financial liabilities				
- Short-term loans	0.35% - 3.28%	(139,090,715)	0.35% - 4.9%	(204,313,744)
- Long-term loans (including the portion due within one year)	1% - 3.28%	(280,414,858)	1% - 2.5%	(189,468,722)
- Long-term payables (including the portion due within one year)	1.20%	(108,000,000)	1.20%	(225,000,000)
Total		(433,952,511)		(464,418,201)

Variable rate instruments:

Item	2020		2019	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	0.3% - 1.0%	1,100,642,230	0.3% - 1.75%	1,442,981,317
Financial liabilities				
- Short-term loans	1 year LPR 0.005	(550,000,000)	LPR	(550,000,000)
- Long-term loans (including the portion due within one year)	90% of 5 year LPR	(31,250,000)	90% of 5 year LPR	(56,250,000)
Total		519,392,230		836,731,317

(2) Sensitivity analysis

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

As at 31 December 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 RMB2,179,688 (2019: RMB2,273,438), and net profit by RMB2,179,688 (2019: RMB2,273,438).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

4 Foreign currency risk

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

- (1) As at 31 December, the Group's exposure to main 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.

	2020		2019	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand	2,029,849	14,053,435	6,662,301	46,592,213
- USD	1,492,923	9,744,604	6,525,673	45,524,399
- EUR	536,926	4,308,831	136,628	1,067,814
Short-term loans	12,490,000	81,524,728	12,490,000	87,132,738
- USD	12,490,000	81,524,728	12,490,000	87,132,738

- (2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	<i>Average rate</i>		<i>Balance sheet date mid-spot rate</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
USD	6.8884	6.8948	6.5272	6.9762
EUR	7.9065	7.7161	8.0250	7.8155

- (3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and Euro dollar at 31 December would have impact on the Group's equity and net profit by the amount shown below. whose effect is in Renminbi and translated using the spot rate at the year-end date:

	<i>Equity</i>	<i>Net profit</i>
31 December 2020		
USD	3,589,006	3,589,006
EUR	(215,442)	(215,442)
Total	3,373,564	3,373,564
31 December 2019		
USD	2,080,417	2,080,417
EUR	(53,391)	(53,391)
Total	2,027,026	2,027,026

A 5% weakening of the Renminbi against the US dollar and Euro dollar at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

IX. Fair value disclosure

All financial assets and financial liabilities held by the Group are carried at amounts not materially different from their fair value at 31 December 2020 and 31 December 2019.

X. Related parties and related party transactions

1 Information about the parent of the Company

<i>Company name</i>	<i>Registered place</i>	<i>Business nature</i>	<i>Registered capital</i>	<i>Shareholding percentage (%)</i>	<i>Percentage of voting rights (%)</i>	<i>Ultimate controlling party of the Company</i>
Changyu Group	Yantai	Manufacturing	50,000,000	50.4%	50.4%	Jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

There are no changes on the registered capital and shareholding percentage/percentage of voting rights of the parent company.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

3 Information about joint ventures and associates of the Company

Joint ventures and associates that have related party transactions with the Group during this year or the previous year are as follows:

<i>Name of entity</i>	<i>Relationship with the Company</i>
WEMISS Shanghai	Associate of the Group
L&M Holdings	Joint venture of the Group

4 Information on other related parties

<i>Name of other related parties</i>	<i>Related party relationship</i>
Yantai Shenma Packaging Co., Ltd. ("Shenma Packaging")	Controlled by the same parent company
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd. ("Zhongya Pharmaceutical")	Controlled by the same parent company
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN ("LIVERSAN")	Subsidiaries of the joint venture

5 Transactions with related parties

(1) Product procurement

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2020</i>	<i>2019</i>
Shenma Packaging	Product procurement	78,520,694	134,044,857
Zhongya Pharmaceutical	Product procurement	850,478	1,244,991
Mirefleurs	Product procurement	9,261,722	6,429,542
LIVERSAN	Product procurement	3,746,069	1,632,941
Total		92,378,963	143,352,331

(2) Sales of goods

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2020</i>	<i>2019</i>
Zhongya Pharmaceutical	Sales of goods	3,920,047	4,474,004
WEMISS Shanghai	Sales of goods	1,374,616	-
Shenma Packaging	Sales of goods	293,488	347,453
Total		5,588,151	4,821,457

(3) Services

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2020</i>	<i>2019</i>
Shenma Packaging	Services	106,195	-
Total		106,195	-

(4) Purchase of fixed assets

<i>Related parties of the Company</i>	<i>Nature of transaction</i>	2020	2019
Changyu Group	Purchase of fixed assets	-	1,897,126
Total		-	1,897,126

(5) Sale of fixed assets

<i>Related parties of the Company</i>	<i>Nature of transaction</i>	2020	2019
Changyu Group	Sale of fixed assets	44,845,989	-
Total		44,845,989	-

(6) Leases

(a) As the lessor

<i>Name of lessee</i>	<i>Type of assets leased</i>	<i>Lease income recognised in 2020</i>	<i>Lease income recognised in 2019</i>
Shenma Packaging	Offices and plants	1,492,550	1,492,550
Zhongya Pharmaceutical	Offices and plants	522,936	522,936
Total		2,015,486	2,015,486

(b) As the lessee

<i>Name of lessor</i>	<i>Type of assets leased</i>	<i>Lease expense recognised in 2020</i>	<i>Lease expense recognised in 2019</i>
Changyu Group	Office buildings	1,612,118	1,612,118
Changyu Group	Offices and plants	1,394,762	1,394,762
Changyu Group	Offices and plants	4,184,286	4,184,286
Changyu Group	Offices and commercial building	1,050,000	-
Changyu Group	Office buildings	714,286	-
Total		8,955,452	7,191,166

(7) Remuneration of key management personnel

<i>Item</i>	2020	2019
Remuneration of key management personnel	6,975,110	12,297,689

(8) Other related party transactions

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Note</i>	2020	2019
Changyu Group	Royalty	(a)	21,985,068	35,938,014
Changyu Group	Royalty deducted in the previous years	(a)	-	(218,649,636)
Changyu Group	Transfer of trademark use rights	(b)	18,334,528	-
Changyu Group	Transfer of Culture Development	VI	89,519,789	-
Zhongya Pharmaceutical	Equity transfer of Changyu Museum	VII	1,033,912	-

(a) Contract of trademarks usage

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

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

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

In addition, in accordance with agreement the Group signed with Changyu Group in November 2019, Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022. If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs.

The Group incurred a trademark usage fee of RMB21,985,068 this year.

(b) Transfer of trademark use rights

On 22 April 2020, the Fourth Meeting of the Eighth Board of Directors of the Group reviewed and approved the *Proposal on Transferring the "KOYA" and Other Trademarks of Yantai Changyu Group Co., Ltd.* On 16 June 2020, the Group and Changyu Group signed the *Trademark Transfer Agreement* to transfer the ownership of 43 trademarks owned by Changyu Group, including KOYA, ZENITHWIRL, FRANLLET, WEMISS and PIONEER at an estimated price of RMB19,434,600 (tax inclusive).

6 Receivables from and payables to related parties

Receivables from related parties

Item	Related party	2020		2019	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Zhongya Pharmaceutical	714,995	3,175	4,292,387	909,935
Accounts receivable	WEMISS Shanghai	1,553,316	6,898	-	-
Prepayments	Shenma Packaging	126,818	-	-	-
Other non-current assets	Changyu Group	170,370,147	-	193,674,320	-
Other receivables	Zhongya Pharmaceutical	522,936	-	-	-
Other receivables	Shenma Packaging	-	-	813,440	-

Payables to related parties

Item	Related party	2020	2019
Accounts payable	Shenma Packaging	33,421,165	40,072,151
Accounts payable	Zhongya Pharmaceutical	455,176	1,024,310
Accounts payable	Changyu Group	19,434,600	2,143,752
Other payables	Shenma Packaging	450,000	450,000

XI. Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

XII. Commitments and contingencies

1 Significant commitment

(1) Capital commitments

Item	2020	2019
Long-term assets acquisition commitment	249,379,500	679,980,000
Total	249,379,500	679,980,000

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Group's properties were payable as follows:

<i>Item</i>	<i>2020</i>	<i>2019</i>
Within 1 year (inclusive)	24,076,000	17,756,000
Over 1 year but within 2 years (inclusive)	17,735,000	16,189,000
Over 2 years but within 3 years (inclusive)	15,564,000	9,757,000
Over 3 years	106,278,000	89,550,940
Total	163,653,000	133,252,940

2 Contingencies

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

XIII. Subsequent events

Distribution of dividends on ordinary shares approved after the balance sheet date

According to the proposal of the Board of Directors on 26 April 2021, the Company intends to distribute cash dividend totaling RMB274,185,600 to all shareholders of 685,464,000 capital shares for the year ended 31 December 2020 on the basis of RMB4.0 (including tax) for every 10 shares. The proposal is subject to the approval by the Shareholders' meeting. This distribution of profit in cash has not been recognised as a liability at the balance sheet date.

XIV. Other significant items

1 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2020, over 85% of revenue, more than 93% of profit and over 92% of non-current assets derived from China/are located in China. Therefore, the Group does not need to disclose additional segment report information.

XV. Notes to the Company's financial statements

1 Receivables under financing

<i>Item</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Bills receivable	(1)	13,920,000	41,679,635
Total		13,920,000	41,679,635

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

As at 31 December 2020, there was no pledged bills receivable (31 December 2019: Nil).

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

<i>Item</i>	<i>Amount derecognised at year end</i>
Bank acceptance bills	49,849,895
Total	49,849,895

As at 31 December 2020, bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB49,849,895 (31 December 2019: RMB65,303,181). The notes are used for payment to suppliers. The Company believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Company would undertake limited liability for the notes.

2 Other receivables

	<i>Note</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Interest receivable	(1)	-	90,355
Dividends receivable	(2)	200,000,000	200,000,000
Others	(3)	380,131,798	386,334,603
Total		580,131,798	586,424,958

(1) Interest receivable

(a) Interest receivable by category:

<i>Item</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Interest receivable on bank deposits	-	90,355
Total	-	90,355

(b) Significant overdue interest: N/A

(2) Dividends receivable

<i>Item</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Dividends to subsidiaries	200,000,000	200,000,000
Total	200,000,000	200,000,000

(3) Others

(a) Others by customer type:

<i>Customer type</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Amounts due from subsidiaries	379,375,427	385,328,319
Amounts due from related parties	522,936	813,440
Others	233,435	192,844
Sub-total	380,131,798	386,334,603
Less: Provision for bad and doubtful debts	-	-
Total	380,131,798	386,334,603

(b) The ageing analysis is as follows:

<i>Ageing</i>	<i>2020</i>	<i>2019</i>
Within 1 year (inclusive)	378,307,160	386,314,603
Over 1 year but within 2 years (inclusive)	1,804,638	-
Over 2 years but within 3 years (inclusive)	-	20,000
Over 3 years	20,000	-
Sub-total	380,131,798	386,334,603
Less: Provision for bad and doubtful debts	-	-
Total	380,131,798	386,334,603

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

(c) Others by method of provisioning

<i>Category</i>	<i>2020</i>					<i>2019</i>				
	<i>Book value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>	<i>Book value</i>		<i>Provision for bad and doubtful debts</i>		<i>Carrying amount</i>
	<i>Amount</i>	<i>Percentage (%)</i>	<i>Amount</i>	<i>Percentage (%)</i>		<i>Amount</i>	<i>Percentage (%)</i>	<i>Amount</i>	<i>Percentage (%)</i>	
Individual assessment										
- Total other receivables	-	-	-	-	-	-	-	-	-	-
Collective assessment										
- Amounts due from subsidiaries	379,375,427	99.8	-	-	379,375,427	385,328,319	99.7	-	-	385,328,319
- Amounts due from related parties	522,936	0.1	-	-	522,936	813,440	0.2	-	-	813,440
- Amounts due from third parties	233,435	0.1	-	-	233,435	192,844	0.1	-	-	192,844
Total	380,131,798	100.0	-	-	380,131,798	386,334,603	100.0	-	-	386,334,603

(d) Movements of provisions for bad and doubtful debts

As at 31 December 2020, no bad and doubtful debt provision was made for other receivables (31 December 2019: Nil).

As at 31 December 2020, the Company has no other receivables written off (31 December 2019: Nil).

(e) Others categorised by nature

<i>Nature of other receivables</i>	2020	2019
Amounts due from subsidiaries	379,375,427	385,328,319
Amounts due from related parties	522,936	813,440
Others	233,435	192,844
Sub-total	380,131,798	386,334,603
Less: Provision for bad and doubtful debts	-	-
Total	380,131,798	386,334,603

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

<i>Debtor</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Sales Company	Amounts due from subsidiaries	68,221,331	Within 1 year	17.9	-
R&D Centre	Amounts due from subsidiaries	58,134,999	Within 1 year	15.3	-
Longkou Sales	Amounts due from subsidiaries	10,270,021	Within 1 year	2.7	-
Laizhou Sales	Amounts due from subsidiaries	9,177,937	Within 1 year	2.4	-
Chateau Changyu	Amounts due from subsidiaries	6,136,795	Within 1 year	1.6	-
Total		151,941,083		39.9	

3 Long-term equity investments

(1) Long-term equity investments by category:

<i>Item</i>	2020			2019		
	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Investments in subsidiaries	7,593,535,027	-	7,593,535,027	7,432,422,621	-	7,432,422,621
Investments in associates	6,243,853	-	6,243,853	-	-	-
Total	7,599,778,880	-	7,599,778,880	7,432,422,621	-	7,432,422,621

(2) Investments in subsidiaries:

<i>Subsidiary</i>	<i>Balance at the beginning of the year</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>Balance at the end of the year</i>
Xinjiang Tianzhu	60,000,000	-	-	60,000,000
Kylin Packaging	23,176,063	-	-	23,176,063
Chateau Changyu	28,968,100	-	-	28,968,100
Pioneer International	3,500,000	-	-	3,500,000
Ningxia Growing	36,573,247	-	-	36,573,247
National Wines	2,000,000	-	-	2,000,000
Golden Icewine Valley	30,440,500	-	-	30,440,500
Chateau Beijing	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	700,000	-	1,000,000
Beijing Sales	850,000	-	-	850,000
Jingyang Sales	100,000	-	-	100,000
Jingyang Wine	900,000	-	-	900,000
Ningxia Wine	222,309,388	-	-	222,309,388
Chateau Ningxia	453,463,500	-	-	453,463,500
Chateau Tinlot	212,039,586	-	-	212,039,586
Chateau Shihezi	812,019,770	-	-	812,019,770
Chateau Changan	803,892,258	-	-	803,892,258
R&D Centre	3,288,906,445	-	-	3,288,906,445
Huanren Wine	22,200,000	-	-	22,200,000
Wine Sales Company	-	5,000,000	-	5,000,000
Franco Champs	236,025,404	-	-	236,025,404
Dicot	190,150,544	42,991,725	-	233,142,269
Chile Indomita Wine Group	274,248,114	-	-	274,248,114
Australia Kilikanoon Estate	110,334,528	18,941,111	-	129,275,639
Digital Marketing	-	1,000,000	-	1,000,000
Culture Development	-	92,479,570	-	92,479,570
Total	7,432,422,621	161,112,406	-	7,593,535,027

For information about the subsidiaries of the Company, refer to Note VII.

(3) Investments in associates:

<i>Subsidiary</i>	<i>Balance at the beginning of the year</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>Balance at the end of the year</i>
WEMISS Shanghai	-	3,000,000	(256,110)	2,743,890
Yantai Santai Real Estate Development Co., Ltd	-	3,500,000	(37)	3,499,963
Total	-	6,500,000	(256,147)	6,243,853

4 Operating income and operating costs

<i>Item</i>	2020		2019	
	<i>Income</i>	<i>Cost</i>	<i>Income</i>	<i>Cost</i>
Principal activities	510,205,498	450,876,445	738,011,458	653,860,504
Other operating activities	2,098,055	1,492,067	2,844,904	1,643,559
Total	512,303,553	452,368,512	740,856,362	655,504,063

(1) Details of operating income of 2020

<i>Item</i>	2020	
	<i>Income</i>	<i>Cost</i>
Principal activities	510,205,498	450,876,445
Other operating activities	2,098,055	1,492,067
Total	512,303,553	452,368,512
Including: revenue from contracts with customers	510,205,498	450,876,445
Rent income	2,098,055	1,492,067

Disaggregation of revenue from contracts with customers:

<i>Type of contract</i>	2020
By type of goods or services	
- Liquor	510,205,498
By timing of transferring goods or services	
- Revenue recognised at a point in time	510,205,498

(2) Details of operating income of 2019

	2019
Operating income from principal activities	
- Sale of goods	738,011,458
Income from other business	
- Rental income	2,844,904
Total	740,856,362

5 Investment income

<i>Item</i>	2020	2019
Income from long-term equity investments accounted for using cost method	449,760,868	621,620,723
Loss from long-term equity investments accounted for using equity method	(256,147)	-
Total	449,504,721	621,620,723

6 Transactions with related parties

(1) Product procurement

<i>Related parties</i>	<i>Nature of transaction</i>	2020	2019
Subsidiary of the parent company	Product procurement	107,663,061	161,501,245
Other related parties of the Company	Product procurement	36,249,251	59,925,186
Total		143,912,312	221,426,431

(2) Sales of goods

<i>Related parties</i>	<i>Nature of transaction</i>	2020	2019
Subsidiary of the parent company	Sales of goods	504,080,073	738,594,682
Other related parties of the Company	Sales of goods	2,952,493	2,261,680
Total		507,032,566	740,856,362

(3) Guarantee

The Company as the guarantor

<i>Guarantee holder</i>	<i>Currency</i>	<i>Amount of guarantee</i>	<i>Inception date of guarantee</i>	<i>Maturity date of guarantee</i>	<i>Guarantee expired (Y/N)</i>
R&D Centre	RMB	500,000,000	08 March 2017	08 March 2022	N
Australia Kilikanoon Estate	AUD	17,000,000	13 December 2018	13 December 2023	N

(4) Leases

(a) As the lessor

<i>Name of lessee</i>	<i>Type of assets leased</i>	<i>Lease income recognised in 2020</i>	<i>Lease income recognised in 2019</i>
Other related parties of the Company	Offices and plants	2,015,486	2,015,486
Subsidiary of the parent company	Offices buildings	82,569	-
Total		2,098,055	2,015,486

(b) As the lessee

<i>Name of lessor</i>	<i>Type of assets leased</i>	<i>Lease expense recognised in 2020</i>	<i>Lease expense recognised in 2019</i>
Other related parties of the Company	Office buildings	1,394,762	1,394,762
Total	Office buildings	1,394,762	1,394,762

(5) Other related party transactions

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2020</i>	<i>2019</i>
Changyu Group	Transfer of trademark use rights	18,334,528	-
Changyu Group	Transfer of Culture Development	89,519,789	-

7 Receivables from and payables to related parties

Receivables from related parties

<i>Item</i>	<i>Related party</i>	<i>2020</i>		<i>2019</i>	
		<i>Book value</i>	<i>Provision for bad and doubtful debts</i>	<i>Book value</i>	<i>Provision for bad and doubtful debts</i>
Accounts receivable	Other related parties of the Company	-	-	2,589,936	601,610
Prepayments	Other related parties of the Company	126,818	-	-	-
Other receivables	Subsidiary of the parent company	379,375,427	-	385,328,319	-
Other receivables	Other related parties of the Company	522,936	-	813,440	-
Other non-current assets	Subsidiary of the parent company	1,530,700,000	-	1,427,700,000	-

Payables to related parties

<i>Item</i>	<i>Related party</i>	<i>2020</i>	<i>2019</i>
Accounts payable	Other related parties of the Company	29,634,723	11,630,361
Other payables	Subsidiary of the parent company	319,936,973	381,487,360
Other payables	Other related parties of the Company	450,000	450,000

XVI. Non-recurring profit and loss statement in 2020

	<i>Item</i>	<i>Amount</i>
(1)	Profit and loss from disposal of non-current assets	(1,165,162)
(2)	Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	73,180,848
(3)	Profit or loss of subsidiaries generated before acquisition date of a business combination involving entities under common control (Note 2)	12,715,544
(4)	Other non-operating income and expenses besides items above	10,098,551
	Sub-total	94,829,781
(5)	Tax effect	(21,595,671)
(6)	Effect on non-controlling interests after taxation	(28,710)
	Total	73,205,400

Note 1: Extraordinary gain and loss items (1) to (4) listed above are presented in the amount before taxation.

Note 2: The non-recurring gains and losses of the combining party from 1 January 2020 to the acquisition date have been deducted from the corresponding non-recurring gains and losses.

XVII. Return on net assets and earnings per share

1 Calculation of earnings per share

(1) Basic earnings per share

For calculation of the basic earnings per share, please refer to Note V.48.

(2) Basic earnings per share excluding extraordinary gain and loss

Basic earnings per share excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	470,860,587	1,141,367,296
Extraordinary gains and losses attributable to ordinary shareholders of the Company	73,205,400	248,870,652
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	397,655,187	892,496,644
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	0.58	1.30

(3) Diluted earnings per share

During the reporting period, the Company did not have dilutive potential ordinary shares.

2 Calculation of weighted average return on net assets

(1) Weighted average return on net assets

Weighted average return on net assets is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	470,860,587	1,141,367,296
Weighted average amount of consolidated net assets	10,304,733,743	10,010,909,180
Weighted average return on net assets	4.57%	11.40%

Calculation of weighted average amount of consolidated net assets is as follows:

	2020	2019
Consolidated net assets at the beginning of the year	10,402,248,821	9,688,765,904
Business combination involving entities under common control	(37,299,912)	-
Effect of consolidated net profit attributable to ordinary shareholders of the Company	237,836,150	567,083,168
The impact of the purchase of minority shareholders' equity	(8,046,940)	(69,159)
Effect of shares repurchased (Note V.35)	(290,004,376)	(244,870,733)
Weighted average amount of consolidated net assets	10,304,733,743	10,010,909,180

(2) Weighted average return on net assets excluding extraordinary gain and loss

Weighted average return on net assets excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2020	2019
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	397,655,187	892,496,144
Weighted average amount of consolidated net assets (Note)	10,243,190,738	9,914,886,331
Weighted average return on net assets excluding extraordinary gain and loss	3.88%	9.00%

Note: When a business combination under common control occurs during the reporting period, the net assets of the combining party shall be weighted from the month following the acquisition date when calculating the weighted average return on net assets after deducting non-recurring gains and losses. When calculating the weighted average return on net assets after deducting non-recurring gains and losses during the comparative period, the net assets of the combining party shall not be weighted.

XIII. Reference Documents

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

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 28th, 2021