



古井贡酒·年份原浆®

Anhui Gujing Distillery Company Limited

Annual Report 2020



April 2021

Part I Important Notes, Table of Contents and Definitions

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

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

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

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

The Board has approved a final dividend plan as follows: based on the Company’s total shares on 31 December 2020, a cash dividend of RMB15.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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

古井贡酒  年份原浆®



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Definitions

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

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

	Board Secretary	Securities Representative
Name	Ye Changqing	Mei Jia
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III Media for Information Disclosure and Place where this Report Is Lodged

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

Place where this Report is lodged	The Board Secretary's Office
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IV Change to Company Registered Information

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

V Other Information

The independent audit firm hired by the Company:

Name	RSM China
Office address	Suite 901-22 to 901-26, Wai Jing Mao Building (Tower 1), No. 22 Fuchengmen Wai Street, Xicheng District, Beijing, China
Accountants writing signatures	Chen Lianwu and Li Jiacheng

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

Applicable Not applicable

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

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue (RMB)	10,292,064,534.41	10,416,961,584.23	-1.20%	8,686,140,336.89
Net profit attributable to the listed company's shareholders (RMB)	1,854,576,249.29	2,097,527,739.86	-11.58%	1,695,231,643.05
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	1,773,011,307.05	1,891,097,157.37	-6.24%	1,638,204,454.34
Net cash generated from/used in operating activities (RMB)	3,624,543,525.53	192,447,063.45	1,783.40%	1,440,881,285.95
Basic earnings per share (RMB/share)	3.68	4.17	-11.75%	3.37

Diluted earnings per share (RMB/share)	3.68	4.17	-11.75%	3.37
Weighted average return on equity (%)	19.53%	25.55%	-6.02%	24.03%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets (RMB)	15,186,625,708.79	13,871,297,363.16	9.48%	12,509,928,449.72
Equity attributable to the listed company's shareholders (RMB)	10,043,288,013.73	8,944,111,764.44	12.29%	7,601,984,024.58

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

Yes No

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

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

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

Applicable Not applicable

No difference for the Reporting Period.

3. Reasons for Accounting Data Differences Above

Applicable Not applicable

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	3,281,368,602.79	2,238,252,397.83	2,549,799,986.43	2,222,643,547.36
Net profit attributable to the listed company's shareholders	636,788,443.69	388,148,160.67	512,744,399.70	316,895,245.23
Net profit attributable to the listed company's shareholders before exceptional gains and losses	635,613,633.02	372,305,235.50	493,142,445.93	271,949,992.60
Net cash generated from/used in operating activities	1,632,664,980.49	708,973,120.15	238,222,085.94	1,044,683,338.95

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

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2020	2019	2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-3,692,640.09	-7,615,741.56	-10,060,019.55	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	48,617,479.37	98,293,177.32	36,041,674.45	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	21,490,043.05	144,234,319.52	18,653,228.80	
Reversed portion of impairment allowance for accounts receivable which are tested individually for impairment	43,554.94	0.00	0.00	
Non-operating income and expense other than the above	44,100,616.61	57,215,092.96	32,375,890.89	
Less: Income tax effects	27,033,395.22	71,418,613.38	18,150,068.72	

Non-controlling interests effects (net of tax)	1,960,716.42	14,277,652.37	1,833,517.16	
Total	81,564,942.24	206,430,582.49	57,027,188.71	--

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

Applicable Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

The Company is subject to the Guideline No. 14 of the Shenzhen Stock Exchange on Information Disclosure by Industry—for Listed Companies Engaging in Food and Liquor & Wine Production.

(I) Principal Activity of the Company

The Company primarily produces and markets liquor and spirits.

(II) Status of the Industry and Position of the Company in the Industry

1. Status of the Liquor and Spirits Industry

Since the beginning of the 21st century, China's liquor and spirits industry has experienced three development stages. Before 2012, with rapid economic growth, the income of urban and rural residents rose fast, and the demand for liquor and spirits continued to increase, while production and sales of liquor and spirits continuously expanded at a fast pace. As a result, the liquor and spirits industry witnessed booming supply and demand. During that period, national liquor and spirits brands and local regional renowned liquor enterprises achieved rapid development. In the context of the rise in both the demand and price of liquor and spirits, the sales income and total profits of liquor enterprises increased quickly.

From the second half of 2012 to 2016, China's economy once again entered a period of adjustment, as the Chinese government introduced a string of policies to restrict the spending on official overseas visits, official vehicles and official hospitality, such as the "Eight-point Decision" and "Six Prohibitions", which include restrictions on the consumption of high-end alcohol with public funds. Consumption scenarios such as commercial consumption and government consumption were limited, leading to a drop in consumer demand in a short time. Moreover, liquor prices were under huge pressure. China's liquor and spirits industry entered a period of profound adjustment. After 2012, both the output growth and income growth of China's liquor and spirits industry slowed down.

The liquor and spirits industry began to recover in the second half of 2016, with a rise in consumption demand by end-users, propelling the growth of the overall income and profits of the industry. Since 2017, the overall demand and price of liquor and spirits have increased, and the recovery of mid- and high-end liquor and spirits has picked up. In the future, benefiting from the consumption upgrade and the change of consumption concept, the growth of sub-high-end liquor and spirits will be the key driver for the development of the liquor and spirits industry. The consumption upgrade is the major driving force for the development of the liquor and spirits industry. Liquor enterprises need to fully grasp the great opportunities from the extensive consumption upgrade and strive to better meet the consumption needs of the market through quality improvement, market segmentation and product innovation and other means, so as to advance the transformation and upgrade of the product structure.

2. Position of the Company in the Industry

China has a long history of liquor. There are a large number of liquor production enterprises in the country, but the regional distribution of liquor consumers is particularly evident. The liquor and spirits industry is characterized by full competition, with a high degree of marketization. The market competition is fierce, and the industry adjustments are constantly deepening. In the national market, the competitive edges of the enterprises come from their brand influence, product style and marketing & operation models. In a single regional market, the competitive strengths of the enterprises depend on their brand influence in the region, the recognition of the companies by regional consumers and comprehensive marketing capacity.

As one of China's traditional top eight liquor brands, the Company is the first listed liquor and spirits company with both A and B stocks. It is located in Bozhou City, Anhui Province in China, the hometown of historic figures Cao Cao and Hua Tuo, as well as one of the world's top 10 liquor-producing areas. No changes have occurred to the main business of the Company in the Reporting Period.

As the main product of the Company, the Gujing spirit originated as a “JiuYunChun Spirit”, together with its making secrets, being presented as a hometown specialty by Cao Cao, a famous warlord in China’s history, to Emperor Han Xiandi (name: Liu Xie) in A.D. 196, and was continually presented to the royal house since then. With crystalline liquid, rich aroma, a fine flavor and a lingering aftertaste, the Gujing spirit has helped the Company win four national distilled spirit golden awards, a golden award at the 13th SIAL Paris, the title of China’s “Geographical Indication Product”, the recognition as a “Key Cultural Relics Site under the State Protection”, the recognition with a “National Intangible Cultural Heritage Protection Project”, a Quality Award from the Anhui provincial government, a title of “National Quality Benchmark”, among other honors. In 2020, Gujing Distillery ranked fourth in China's liquor and spirits industry with a brand value of RMB197,136 million in the "Hua Liquor Cup" (list of Chinese liquor brands by value).

In April 2016, Gujing gongjiu signed a strategic cooperation agreement with Huanghelou Liquor Co., Ltd., opening a new era of cooperation in China's famous liquor industry. Yellow Crane Tower Baijiu is the only famous Chinese liquor in Hubei. Its unique style is "soft, mellow, elegant and cool, and has a long lingering fragrance". It won the two China gold medal in liquor appreciation in 1984 and 1989. At present, Huanghelou liquor industry has three bases: Wuhan, Xianning and Suizhou. Among them, Huanghelou Liquor Culture Expo Park in Wuhan base has been approved as national AAA scenic spot, and Huanghelou forest wine town in Xianning base has been approved as national AAA scenic spot.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Not applicable.

2. Major Assets Overseas

Applicable Not applicable

III Core Competitiveness Analysis

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

Part IV Management Discussion and Analysis

I Overview

In 2020, in the wake of the outbreak of COVID-19, the economy encountered numerous challenges, and consumer demand came under pressure. The liquor and spirits industry experienced a shift from structural recovery to high-quality development. In the face of all the changes and challenges, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company comprehensively implemented the spirit of the 19th CPC National Congress and the Second, Third, Fourth and Fifth Plenary Sessions of the 19th CPC Central Committee, and thoroughly implemented the principles, policies, decisions and arrangements of the provincial and municipal governments. The Company took effective pandemic control measures and ensured smooth resumption of work and production, while upholding its values of "Be Honest, Offer Quality Liquor, Be Stronger and Be Helpful to the Society". It further advanced the "Liquor and Spirits 5.0" strategy in order to achieve the goal of becoming an enterprise with "digital and global operations and law-based management".

For 2020, the Company recorded operating revenue of RMB10.292 billion, down 1.20% compared to 2019; a gross profit of RMB2.474 billion, down 13.89% year on year; a net profit attributable to the Company as the parent of RMB1.855 billion, decreasing 11.58% from the year earlier; earnings per share of RMB3.68, 11.75% lower than 2019; and net cash generated from operating activities of RMB3.625 billion, going up 1,783.40% on a year-on-year basis.

(I) The overall operating status of the Company during the Reporting Period

1. Expanding market presence, with progress in optimizing both product structure and brand

The Company focused on promoting its "sub-high-end products nationwide", enhanced brand building, and placed emphasis on building IP through the Spring Festival Gala. It pushed forward its brand revitalization project and continuously optimized product and market structures.

2. Enhancing product quality, with steady improvement in product quality

The Company continued to optimize brewing process, thus steadily raising product quality. It made new achievements in technological innovation. It conducted in-depth study and continued efforts to boost the production of aged liquor products. One technological research achievement was recognized as "internationally leading" achievement by the Science and Technology Achievement Evaluation Center of Anhui Association of Scientists and Entrepreneurs, and one technological research project won the second prize of the Science and Technology Innovation Progress Award from China Institute of Food Science and Technology in 2020. The Company was honored as "National Liquor Industry Quality Leader" and "National Quality & Integrity Award for Excellent Enterprise".

3. Continuing to promote balanced production, with greater online and offline integration

The Company ceaselessly pursued balanced production by implementing forecast-based production, quarterly balanced production, and flexibly adjustment with the aim of effectively dealing with unforeseeable changes. It fostered the integration of digital technology and business operation, opened up more channels, empowered the business frontline, and achieved online and offline integration and interconnectivity. It independently built a platform that provides data analysis for areas from day-to-day management to strategic decision-making to digitize management.

4. Optimizing organizational structure to stimulate organizational vitality

The Company optimized organizational structure and refined assessment mechanism, thereby further stimulating organizational vitality. The points system assessment has been fully implemented to quantify work performance. In addition, the Company steadily advanced internal market-oriented reform to vitalize mechanisms.

5. Strictly abiding by environmental protection requirements to improve environmental management

The Company completed the systematic screening and inspection of rain and sewage pipe network and fire protection pipe network

in the plants, addressed deficiencies, and drew clear and accurate pipe network maps to further enhance refined management. Thus, the foundation of safety and environmental protection has been consolidated. The environmental monitoring indicators reached the standards in the year, and the "four zero" production safety targets were accomplished.

6. Strengthening the leading role of Party building and carrying out warning education

All the Party members and managers were engaged in the "Three Cases" warning education. Party organizations at all levels conscientiously studied the classic work titled *Xi Jinping: The Governance of China* to constantly enhance their ideological understanding and political awareness. All units, on the basis of their business operations, strengthened General Secretary Xi's "Seven Capacities" requirements for young cadres. In-depth activities about "transformation, reform, and strength" were conducted to drive steady and sustained growth of the Company.

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

- (1) The COVID-19 pandemic has brought many uncertainties to the development of the liquor industry.
- (2) The level of lean management of the Company falls behind the pace of the Company's development.
- (3) The system, mechanism and the vitality of the Company need to be further activated.
- (4) Bold innovation is required in cultivating talents, inspiring talents, and retaining talents by system.

The Company is subject to the Guideline No. 14 of the Shenzhen Stock Exchange on Information Disclosure by Industry—for Listed Companies Engaging in Food and Liquor & Wine Production.

The Company primarily produces and markets liquor and spirits. Its principal product series are "Aged Original Liquor Series", "Gujingong Liquor Series", and "Yellow Crane Tower Liquor Series". Key representative products are Aged Original Liquor Tribute, Gu 5, Gu 7 Chinese Flavor, Gu 8, Gu 16, Gu 20, Gu 26, Yellow Crane Tower Aged 1979, Fragrant. The Company focuses on cultivating 30-Year Aged Original Liquor product, which has been rolled out in some core markets such as the Yangtze River Delta, and terminal channels and publicity expenses also cover the product.

The Company's Principal Product System

Principal product series	Key representative products
Aged Original Liquor Series	Gu 26, Gu 20, Gu 16, Gu 8, Gu 5, and Tribute. Positioned as a high-end, sub-high-end, and middle-end product series, Aged Original Liquor represents the key direction of the Company's structural adjustment, and its main consumption scenarios are high-end business, family, daily drinking, and banquet settings.
Gujing Liquor Series	Gujing Liquor V9, Gujing Liquor V6, Gujing Liquor 6th Gen, and Gujing Light Bottle. Positioned as a mid/low-priced product series, Gujing Liquor Series is an effective supplement to Aged Original Liquor Series, and its main consumption scenarios are banquets in some urban areas/towns and holiday gifts.
Yellow Crane Tower Liquor Series	Fragrant 900, Aged 1979, Ecological 15, and Floor Series-5 Floor. With a focus on the market of Hubei Province, the product series forges a synergy with the Company's original brand in a dual-brand matrix.

Main sales model

The Company's key sales model is dealer model. Under the dealer model, the Company will select one or more dealers for sales of a product brand (or product sub-brand) according to the market capacity.

Distribution model:

Applicable Not applicable

1. Operating Performance by Distribution Channel and Product Category

Unit: RMB

By	Operating revenue	Cost of sales	Gross profit margin	YoY change in	YoY change in	YoY change in

				operating revenue (%)	cost of sales (%)	gross profit margin (%)
Channel						
Online	375,683,415.01	91,975,831.73	75.52%	22.69%	18.33%	0.90%
Offline	9,916,381,119.40	2,457,839,113.03	75.21%	-1.92%	4.66%	-1.56%
Subtotal	10,292,064,534.41	2,549,814,944.76	75.23%	-1.20%	5.10%	-1.49%
By	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
Product series						
Aged Original Liquor	7,834,409,317.74	1,449,460,369.87	81.50%	6.52%	17.00%	-1.66%
Gujinggong Liquor	1,379,872,550.29	548,635,455.88	60.24%	-4.10%	12.30%	-5.81%
Yellow Crane Tower	422,020,863.06	132,596,303.20	68.58%	-52.97%	-44.58%	-4.75%
Subtotal	9,636,302,731.09	2,130,692,128.95	77.89%	-0.56%	8.34%	-1.82%

2. Number of Distributors by Geographical Segment

Segment	Increase	Decrease	Ending number
North China	240	105	846
South China	144	59	380
Central China	476	259	2,157
International	3	0	8
Total	863	423	3,391

3. Settlement Method and Dealing Mode

The Company mainly adopts the settlement in spot exchange and bank acceptance bills, and its dealing mode is mainly dealer agency system.

Information about sales of top five dealers at the end of the period

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)	Ending accounts receivable
1	Customer A	582,892,501.77	5.66%	0.00
2	Customer B	512,614,881.07	4.98%	0.00
3	Customer C	346,031,974.08	3.36%	0.00
4	Customer D	259,758,068.23	2.52%	0.00

5	Customer E	116,828,739.55	1.14%	0.00
Total		1,818,126,164.70	17.66%	0.00

Proportion of store sales terminal exceeds 10%

Applicable Not applicable

Online direct sales

Applicable Not applicable

The major product varieties sold online are Aged Original Liquor Series, and Gujingong Liquor Series, among others. The main online sales platforms are Gujing Distillery platform, Tmall, JD.com, and Suning.com.

Any over 30% YoY movements in the selling price of main products contributing over 10% of current total operating revenue

Applicable Not applicable

Model and contents of purchase

The Company primarily adopts the bidding and strategic cooperation models. It also adopts the base planting model in order to ensure the quality of some raw materials.

Major suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	268,181,822.99	11.11%
2	Supplier B	157,379,083.76	6.52%
3	Supplier C	104,820,780.12	4.34%
4	Supplier D	86,519,388.40	3.58%
5	Supplier E	66,040,893.35	2.74%
Total		682,941,968.62	28.29%

Purchase contents

Purchase contents		Purchase model	Amount (RMB'0,000)
1	Raw materials	Base cultivation	14,222.22
		Tendering purchasing	79,809.95
2	Packing materials	Tendering purchasing	147,361.32
Total			241,393.49

The proportion of raw materials purchased from cooperations or farmers to total purchase amount exceeds 30%

Applicable Not applicable

Any over 30% YoY movements in prices of main purchased raw materials

Applicable Not applicable

Main production model

The Company's existing production model is sales-based production. Specifically, the Logistics Control Center is responsible for coordinating the implementation of production plans, release of material production plans, and delivery and tracking of products, and prepares balanced production plans on a quarterly basis according to the product inventory. The logistics distribution system is

coordinated according to the production schedule and inventory with a view to ensuring timely delivery of products.

Commissioned production

Applicable Not applicable

Breakdown of cost of sales

Item	2020		2019		Change (%)
	Cost of sales (RMB)	As % of total cost of sales	Cost of sales (RMB)	As % of total cost of sales	
Direct materials	1,857,491,476.93	72.85%	1,807,661,503.73	74.51%	2.76%
Direct labor cost	261,553,817.02	10.26%	214,328,787.10	8.83%	22.03%
Manufacturing expenses	201,171,173.25	7.89%	147,018,800.80	6.06%	36.83%
Fuels	89,428,707.39	3.51%	88,898,827.47	3.66%	0.60%
Total	2,409,645,174.59	94.50%	2,257,907,919.10	93.07%	6.72%

Output and inventory

1. Output, sales volume and inventory of main products for the Reporting Period and respective YoY changes thereof

Unit: ton

Main product	Output	Sales volume	inventory	YoY changes of output	YoY changes of sales volume	YoY changes of inventory
Aged Original Liquor Series	39,804.91	42,620.78	6,536.88	-9.88%	3.99%	-30.11%
Gujinggong Liquor Series	22,325.13	22,628.54	2,078.20	3.18%	7.56%	-12.74%
Yellow Crane Tower Liquor Series	5,461.69	4,579.75	1,614.94	-35.86%	-47.28%	120.32%
Other series	16,076.72	17,101.61	495.58	-17.46%	-12.77%	-67.41%

2. Ending inventory of finished liquor and semi-product

Category	Ending quantity
Finished liquor	10,725.60
Semi-product (including base liquor)	151,894.82

3. Capacity

Unit: ton

Production subject	Designed capacity	Actual capacity	Capacity in progress
Finished liquor	115,000	83,668	130,000

II Core Business Analysis

1. Overview

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

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2020		2019		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	10,292,064,534.41	100%	10,416,961,584.23	100%	-1.20%
By operating division					
Manufacturing	10,292,064,534.41	100.00%	10,416,961,584.23	100.00%	-1.20%
By product category					
Distilled spirits	10,074,148,990.37	97.88%	10,164,144,471.76	97.57%	-0.89%
Hotel services	63,321,699.07	0.62%	88,659,455.17	0.85%	-28.58%
Other	154,593,844.97	1.50%	164,157,657.30	1.58%	-5.83%
By operating segment					
North China	692,953,553.05	6.73%	557,017,590.00	5.35%	24.40%
Central China	9,015,585,004.98	87.60%	9,326,923,639.55	89.54%	-3.34%
South China	579,972,219.24	5.64%	520,685,208.39	5.00%	11.39%
Overseas	3,553,757.14	0.03%	12,335,146.29	0.11%	-71.19%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Manufacturing	10,292,064,534.41	2,549,814,944.76	75.23%	-1.20%	5.10%	-1.49%
By product category						

Distilled spirits	10,074,148,990.37	2,409,645,174.59	76.08%	-0.89%	6.72%	-1.71%
Hotel services	63,321,699.07	33,232,823.83	47.52%	-28.58%	-16.43%	-7.63%
Other	154,593,844.97	106,936,946.34	30.83%	-5.83%	-16.70%	9.03%
By operating segment						
North China	692,953,553.05	189,295,280.34	72.68%	24.40%	2.70%	5.77%
Central China	9,015,585,004.98	2,209,383,295.89	75.49%	-3.34%	6.97%	-2.36%
South China	579,972,219.24	149,169,111.71	74.28%	11.39%	-12.56%	7.04%
Overseas	3,553,757.14	1,967,256.82	44.64%	-71.19%	-65.14%	-9.62%

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

Applicable Not applicable

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

Yes No

Operating division	Item	Unit	2020	2019	Change (%)
Distilled spirits brewage	Sales volume	Ton	86,930.68	90,318.85	-3.75%
	Output	Ton	83,668.45	93,798.87	-10.80%
	Inventory	Ton	10,725.60	13,987.83	-23.32%

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

Applicable Not applicable

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

Applicable Not applicable

(5) Breakdown of Cost of Sales

By operating division

Unit: RMB

Operating division	Item	2020		2019		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Food manufacturing	Direct materials	1,857,491,476.93	72.85%	1,807,661,503.73	74.51%	2.76%
Food manufacturing	Direct labor cost	261,553,817.02	10.26%	214,328,787.10	8.83%	22.03%
Food manufacturing	Manufacturing expenses	201,171,173.25	7.89%	147,018,800.80	6.06%	36.83%

Food manufacturing	Fuels	89,428,707.39	3.51%	88,898,827.47	3.66%	0.60%
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(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

The scope of consolidated financial statements for the Reporting Period of the Company increased subsidiaries Hubei Xinjia Testing Technology Co., Ltd. and Anhui Jiudao Culture Media Co., Ltd. Besides, one subsidiary Anhui colorful Taste Wine co., Ltd. was cancelled during the Reporting Period.

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

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,818,126,164.70
Total sales to top five customers as % of total sales of the Reporting Period (%)	17.66%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	582,892,501.77	5.66%
2	Customer B	512,614,881.07	4.98%
3	Customer C	346,031,974.08	3.36%
4	Customer D	259,758,068.23	2.52%
5	Customer E	116,828,739.55	1.14%
Total	--	1,818,126,164.70	17.66%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	682,941,968.62
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	28.29%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	268,181,822.99	11.11%
2	Supplier B	157,379,083.76	6.52%
3	Supplier C	104,820,780.12	4.34%
4	Supplier D	86,519,388.40	3.58%
5	Supplier E	66,040,893.35	2.74%
Total	--	682,941,968.62	28.29%

Other information about major suppliers:

 Applicable Not applicable

3. Expense

Unit: RMB

	2020	2019	Change (%)	Reason for any significant change
Selling expense	3,120,977,163.32	3,184,894,221.10	-2.01%	
Administrative expense	802,201,580.48	685,280,546.45	17.06%	
Finance costs	-260,836,456.07	-97,625,803.51	167.18%	The main reason is the increase of interest income.
R&D expense	40,590,136.46	42,373,017.33	-4.21%	

Breakdown of selling expense:

Unit: RMB

Item	2020	2019	Change (%)	Reason
Employment benefits	723,874,977.05	539,175,110.66	34.26%	The main reason is the increase of salaries of sales companies.
Travel fees	133,511,390.56	133,377,266.84	0.10%	
Advertisement fees	840,407,171.96	876,445,646.88	-4.11%	
Transportation charges	0.00	52,250,930.23	-100.00%	The main reason is that the transportation charges were turned into the item of cost of sales to account as required by the new standards governing revenue.
Comprehensive promotion costs	755,941,972.88	969,501,572.71	-22.03%	
Service fees	578,401,082.92	516,683,260.54	11.95%	
Others	88,840,567.95	97,460,433.24	-8.84%	
Total	3,120,977,163.32	3,184,894,221.10	-2.01%	

Details about advertisement

No.	Main way	Amount (RMB'0,000)
1	TV	41,581.11
2	Offline	31,754.05
3	Online	10,705.56
Total		84,040.72

4. R&D Expense

Applicable Not applicable

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

The Company's R&D achievements: One technological research achievement was recognized as "internationally leading" achievement by the Science and Technology Achievement Evaluation Center of Anhui Association of Scientists and Entrepreneurs, and one technological research project won the second prize of the Science and Technology Innovation Progress Award from China Institute of Food Science and Technology in 2020. The Company was honored as "National Liquor Industry Quality Leader" and "National Quality & Integrity Award for Excellent Enterprise".

Details about R&D expense:

	2020	2019	Change (%)
Number of R&D personnel	1,014	938	8.10%
R&D personnel as % of total employees	10.21%	9.69%	0.52%
R&D expense (RMB)	300,404,769.73	269,107,374.89	11.63%
R&D expense as % of operating revenue	2.92%	2.58%	0.34%
Capitalized R&D expense (RMB)	0.00	0.00	0.00
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2020	2019	Change (%)
Subtotal of cash generated from operating activities	13,919,228,342.47	12,080,069,939.92	15.22%
Subtotal of cash used in operating activities	10,294,684,816.94	11,887,622,876.47	-13.40%
Net cash generated from/used in operating activities	3,624,543,525.53	192,447,063.45	1,783.40%

Subtotal of cash generated from investing activities	372,197,845.63	4,138,301,120.12	-91.01%
Subtotal of cash used in investing activities	603,414,750.96	1,466,159,130.60	-58.84%
Net cash generated from/used in investing activities	-231,216,905.33	2,672,141,989.52	-108.65%
Subtotal of cash generated from financing activities	130,665,500.00	0.00	--
Subtotal of cash used in financing activities	831,838,344.55	755,400,000.00	10.12%
Net cash generated from/used in financing activities	-701,172,844.55	-755,400,000.00	7.18%
Net increase in cash and cash equivalents	2,692,153,775.65	2,109,189,052.97	27.64%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

(1) Net cash generated from operating activities stood at RMB3,624,543,525.53 in the Reporting Period, up 1,783.40% year-on-year, primarily driven by collection of purchased structured deposits.

(2) Net cash generated from investing activities stood at RMB-231,216,905.33 in the Reporting Period, down 108.65% year-on-year, primarily driven by a decrease in cash received from return on investment.

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

Applicable Not applicable

III Analysis of Non-Core Businesses

Applicable Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2020		31 December 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	5,971,212,569.66	39.32%	5,619,749,918.09	40.51%	-1.19%	
Accounts receivable	67,933,735.91	0.45%	40,776,567.96	0.29%	0.16%	
Inventories	3,416,880,808.96	22.50%	3,015,051,961.78	21.74%	0.76%	
Investment	4,392,943.54	0.03%	4,710,086.02	0.03%	0.00%	

property						
Long-term equity investments	4,915,575.83	0.03%	4,678,282.24	0.03%	0.00%	
Fixed assets	1,797,789,271.62	11.84%	1,722,572,998.79	12.42%	-0.58%	
Construction in progress	279,169,201.60	1.84%	183,984,816.07	1.33%	0.51%	
Short-term borrowings	70,665,500.00	0.47%	0.00	0.00%	0.47%	
Long-term borrowings	60,117,638.89	0.40%	0.00	0.00%	0.40%	

2. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	509,031,097.02	-19,983,181.51			23,000,000.00	308,170,000.00		203,877,915.51
Subtotal of financial assets	509,031,097.02	-19,983,181.51			23,000,000.00	308,170,000.00		203,877,915.51
Total of the above	509,031,097.02	-19,983,181.51			23,000,000.00	308,170,000.00		203,877,915.51
Financial liabilities	0.00	0.00			0.00	0.00		0.00

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

Yes No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value (RMB)	Reason for restriction
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Monetary assets	334,308,875.92	Structured deposits and time deposits that cannot be withdrawn in advance and time deposits that are pledged for issuing bank acceptance drafts
Accounts receivable financing	104,530,000.00	A pledge is used to issue a banker's acceptance draft
Total	438,838,875.92	

V Investments Made

1. Total Investment Amount

Applicable Not applicable

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Beginning carrying value	Gain/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying value	Accounting title	Source of funds
Fund		DAPU Asset Management	200,000,000.00	Fair value method	211,884,505.24	-8,006,589.73				18,134,786.60	203,877,915.51	Held-for-trading financial assets	Self-owned funds
Other ending holding securities												--	--

investments												
Total	200,000,000.00	--	211,884,505.24	-8,006,589.73					18,134,786.60	203,877,915.51	--	--
Disclosure date of the announcement about the board's consent for the securities investment	The Company held the 14 th Meeting of the 8 th Board of Directors on 24 April 2020, reviewed and approved the proposal on carrying out securities investment business											
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)	N/A											

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Connected transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Reverse repurchase of national debt	Naught	No	Reverse repurchase of national debt	0.00	29 April 2020	11 October 2020	0.00	4,179.80	4,179.80	0.00	0.00	0.00%	2.38

Total	0.00	--	--	0.00	4,179.80	4,179.80	0.00	0.00	0.00%	2.38
Capital source for derivative investment	Company's own funds									
Lawsuits involved (if applicable)	N/A									
Disclosure date of board announcement approving derivative investment (if any)	30 August 2013									
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)										
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System.									
Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	Naught									
Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period	Naught									
Opinion of independent directors on derivative investments and risk control	Based on the sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds; in order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting; the derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, agreed the Company to develop the derivative Investment business of reverse repurchase of national debt not more than the limit of RMB0.3									

	billion.
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5. Use of Funds Raised

Applicable Not applicable

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

VII Major Subsidiaries

Applicable Not applicable

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

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Bozhou Gujing Sales Co., Ltd	Subsidiary	Wholesales of distilled spirit,	84,864,497.89	3,296,066,876.59	130,451,839.30	9,734,502,823.14	822,294,018.85	615,919,496.60

		construction materials, feeds and assistant materials						
Anhui Longrui Glass Co., Ltd	Subsidiary	Manufacture and sale of glass products	86,660,268.98	390,279,052.27	326,378,245.39	262,854,620.63	50,897,638.90	42,920,898.20
Yellow Crane Tower Wine Industry Co., Ltd	Subsidiary	Production and sales of distilled spirit	400,000,000.00	1,120,174,942.77	541,393,135.58	516,045,801.88	-18,849,867.04	-11,717,450.63
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Subsidiary	Hotel management and house lease	54,000,000.00	194,641,077.86	76,977,257.87	55,836,365.97	5,520,893.97	3,395,552.44

Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

The name of the company	Acquisition and disposal of subsidiaries during the reporting period	The impact on the overall production operation and performance
Hubei Xinjia Testing Technology Co., Ltd.	Set up	Optimize the internal management structure and enhance the internal driving force.
Anhui Jiudao Culture Media Co., Ltd.	Set up	Optimize the internal management structure and enhance the internal driving force.

Anhui Color Taste Wine Co., Ltd.	Cancel	
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VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Prospects

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

1. The consumption upgrade trend has been evident, and the awareness of healthy drinking has increased

With the continuous growth of the income and consumption power of urban and rural residents in China, the purchasing power of ordinary consumers has been increasing, so does the number of wealthy people. People's consumption capacity and structure are expected to further enhance. Consumers' demand for better brands and quality has been stronger year by year, and the concept of food consumption has changed from the essential demand for quantity and diverse product mix to longing for great safety and health.

2. The product structure has been upgraded, with an increase in the share of medium and high-end liquor and spirits

After the liquor and spirits industry has experienced rounds of big adjustments. Driven by the wave of consumption upgrade and the development of high-end well-known liquor and spirits, the high-end and sub-high-end liquor and spirits brands with powerful strength have become the first to achieve recovery, and the demand for mid- and high-end liquor and spirits has been increasing. High-end and sub-high-end have contributed more to the product revenue of famous liquor enterprises, and their profitability has enhanced. Furthermore, low-end liquor and spirits have come under mounting pressure and facing severe challenges from overall adjustments to the product structure. The sales proportion of mid- and high-end liquor and spirits has been expanding. Thus, the renowned liquor brands with great influence and strong production capacity are expected to benefit from the upgrading of the product structure.

3. With the escalation of industry competition, industrial concentration will further rise

China's liquor and spirits industry is moving faster to transform from an expanding market to a competitive market, and a "Matthew Effect" has become evident. The stronger has become stronger, and the recovery pace has varied from company to company. In addition, there is a trend that powerful brands with good product quality, great culture and specific places of origin take a larger market share, indicating that the concentration of the liquor and spirits industry is likely to grow further.

(II) Development Strategy of the Company

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

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

2. Firmly boost reform and innovation strategy

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

3. Firmly create "Talent Highland" strategy

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

(III) Operating Revenue Plan of the Company in 2021

In 2021, the Company plans to achieve an operating revenue of RMB12.0 billion, rising 16.59% compared with that of last year; and achieve a total profit of RMB2.847 billion, rising 15.08% compared with that of last year.

(IV) Operating Risk of the Company

1. The adverse effect of the systematic risk in macro-economic environment on the development of the industry and the Company.
2. Impact of industrial policy adjustment and change on the sustainable development of the Company.

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

(V) Operating Measures

1. Marketing

The Company accelerated efforts to promote its “sub-high-end products nationwide” by strengthening its presence in all provinces and regions, expanding market share and customer base, and launching more individual products and outlets. As for brand building, the Company focused on increasing advertising and offline secondary promotion on CCTV, provincial satellite TV stations, the Internet and new media outlets. To expand international market, it actively participated in major international events to promote its brand and products.

2. Product Management

In adherence to the “quality first” principle, the Company enhanced the spirit of craftsmen and awareness of quality and took solid actions to carry forward the Nie Guangrong Spirit in Gujing. It furthered the deep integration of technical quality and liquor production, continuously carried out optimization research on production process concerning liquor making and yeast making, and further optimized liquor making production technology. It conducted in-depth special inspection of quality management, strengthened the handling of production process and market feedback, and effectively exercised closed-loop management. Upholding the green brewing principle, the Company continued to make procurement from raw grain base. Besides, it continued to adopt the “strategic cooperation + grain base planting” model.

3. Engineering Construction

The Company accelerated the construction of the smart technology transformation project (smart park) for liquor production, and adhered to high standards and high quality to promote the construction of smart park projects.

4. Informatization Construction

It accelerated the digital transformation and intensified the application and promotion of digital means. It actively pushed forward projects such as the integration of industry and financial resources, while ensuring effective technical undertaking to further speed up the digital transformation and upgrading of Gujing.

5. Human Resource

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

6. Internal Management

The Company regularly carried out special actions to “change work style, change methods, and strengthen implementation”, raised ideological understanding and political position, listened to the opinions of grass-roots business lines, ensured steady progress in work in strict accordance with the policies and the law, and actively cemented inter-departmental coordination and collaboration. The Company actively guided managers to emancipate their minds, organized more training and study programs, thought outside the box, and adopted creative ways to address problems.

7. Corporate Culture Construction

The Company upheld strict governance over the Party and strengthened party spirit education as per strict standards and requirements to establish and carry forward excellent work style. Work style was into routine management. Actions were taken against unhealthy tendencies in a bid to create a culture featuring pragmatic thinking, simple life, and solid work style. The Company should continue to strengthen the leadership team’s construction, temper the core team of “loyalty and cleanness”; continue to carry out warning education on integrity, and further build an ideological line of defense against corruption; continue to rectify formalism, bureaucracy, and “laziness, randomness, fatigue, glibness and complacency” and dogmatism, cultivate pragmatic and rigorous work style of cadres and employees; continue to strengthen ideological and political work, maintain the main position of cultural propaganda and ideological work; continue to strengthen the leadership of Party building, and gather the strong power of the revolution.

In 2021, the Company will continue to be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and thoroughly implement the spirit of the 19th CPC National Congress and the Second, Third, Fourth and Fifth Plenary Sessions of the 19th CPC Central Committee. Under the strong leadership of the Bozhou Municipal CPC Committee and Municipal Government, the Company will firmly keep in alignment, boost the morale, strengthen the execution capacity, deeply practice the socialist core values, and uphold its values of "Be Honest, Offer Quality Liquor, Be Stronger and Be Helpful to the Society". It will advocate and adhere to long-term perspective mindset, pursue excellence, produce high-quality products, maintaining strategic resolve, enhance corporate management, work harder, and take concrete actions. It will strive to seek steady progress based on civilized management and technological advances and become an enterprise with "digital and global operations and law-based management".

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

1. During the Reporting Period

Applicable Not applicable

Part V Significant Events

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

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

Applicable Not applicable

The 2019 Annual General Meeting held on 19 June 2020 reviewed and approved the Company's Interest Distribution Scheme in 2019 that based on the total shares of 503,600,000 of the Company on 31 December 2019, cash dividends was distributed at RMB15.00 per 10 shares (tax inclusive), and the total cash dividends distributed was RMB755,400,000.00 (tax inclusive).

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

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

1. 2018 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves;
2. 2019 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves.
3. 2020 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves.

Unit: RMB

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

		statements for the year (B)					
2020	755,400,000.00	1,854,576,249.29	40.73%	0.00	0.00%	755,400,000.00	40.73%
2019	755,400,000.00	2,097,527,739.86	36.01%	0.00	0.00%	755,400,000.00	36.01%
2018	755,400,000.00	1,695,231,643.05	44.56%	0.00	0.00%	755,400,000.00	44.56%

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

Applicable Not applicable

II Final Dividend Plan for the Reporting Period

Applicable Not applicable

Bonus issue from capital reserves for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	15.00
Bonus issue from profit for every 10 shares (share)	0
Total shares as the basis for the final dividend plan (share)	503,600,000
Total cash dividends (RMB) (tax inclusive)	755,400,000.00
Cash dividends in other ways (such as share repurchase) (RMB)	0.00
Total cash bonus (including other methods) (RMB)	755,400,000.00
Distributable profits (RMB)	7,465,059,972.22
Percentage of cash dividends to the total distributed profits	100%
Particulars about the cash dividends	
If the Company is in a mature development stage and has plans for any significant expenditure, in profit allocation, the ratio of cash dividends in the profit allocation shall be 40% or above.	
Details of final dividend plan for the Reporting Period	
The Company intends to distribute RMB15 (tax included) per 10 shares based on the total number of shares at the end of the year, totaling RMB755,400,000.00. This year does not send bonus, does not transfer to increase capital stock with accumulation fund.	

III Fulfillment of Commitments

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

Applicable Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in acquisition documents or shareholding alteration documents	Anhui Gujing Distillery Company Limited	Performance commitment	The Company promised that Yellow Crane Tower Distillery Co., Ltd. would realize the operating revenue of RMB1,700.56 25 million (tax inclusive) and the net profit margin would be not lower than 11.00% in 2020.	29 April 2016	Y2017-Y2021	Not fulfilled in 2020
Fulfilled on time	No					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	<p>Before and after the Spring Festival in 2020, the COVID-19 pandemic occurred and spread to many places across China (hereinafter referred to as the "pandemic"), and all provinces and municipalities successively launched the highest level of response for major public health emergencies. Hubei Province, where Yellow Crane Tower locates, was materially adversely affected by the pandemic. Annual performance: Revenue stood at RMB583,131,800, down 55.27% year on year. Due to the force majeure of the COVID-19 pandemic, market trading activities were seriously affected, resulting in part of the terms of the original agreement unable to be fulfilled on schedule. To this end, upon consultation by all parties, the <i>Supplementary Agreement on Equity Transfer</i> was entered into. For the commitments in respect of net sales interest rate, net sales profit and expected distributable profit of Yellow Crane Tower, the assessment period has been extended by one year from the execution date of the Supplementary Agreement. In other words, the year 2020 will not be regarded as the assessment year, and 2021 will be taken as the fourth assessment year and 2022 as the fifth assessment year.</p>					

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

Unit: RMB'0,000

Period	Y2017	Y2018	Y2019	Y2020	Y2021

Committed operating revenue (tax inclusive)	80,500.00	100,625.00	130,812.50	170,056.25	204,067.50
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Meanwhile, within five years since the delivery date (excluding the year in which the delivery date of target equity is located), the net profit margin (net profit/operating revenue) of Yellow Crane Tower Distillery for each year shall be not lower than 11.00%. If the audited net profit margin of Yellow Crane Tower Distillery for each year is lower than 11.00%, the Company should compensate the balance as required by the agreement; if the net profit margin of Yellow Crane Tower Distillery is lower than 11.00% for consecutive two years, the transferee has the right to repurchase all shares of Yellow Crane Tower Distillery held by the Company with the price of RMB816 million.

The realization of commitment on performance in the single statement of Yellow Crane Tower Distillery in 2020 is as follows:

Unit: RMB'0,000

Item	Actual amount	Promised amount	Difference	Completion rate
Operating revenue (tax inclusive)	58,313.18	170,056.25	-111,743.07	34.29%
Net profit	-1,171.75	16,554.15	-17,725.90	Defective
Net profit ratio	-2.27%	11.00%	-13.27%	Defective

Due to the force majeure of the COVID-19 pandemic in 2020, market trading activities were seriously impacted, leading to part of the terms of the original agreement unable to be fulfilled on schedule. Upon friendly negotiation, both parties have made the following changes and additions to the relevant provisions of the original agreement:

In the "Performance compensation commitment" section in the original agreement, the completion period for core operating indicators such as operating income and net sales interest rate of the target company for the transferee has been extended by one year. In other words, the year 2020 is not regarded as the assessment year of operating indicators, and 2021 will be taken as the fourth assessment year and 2022 as the fifth assessment year. The specific adjustments and changes are as follows:

(1) Regarding operating income indicator

The annual committed operating income (including tax) of the target company within six years after the delivery date (excluding the year of target equity delivery, referred to as the "Assessment Period") reaches the following figure:

Period	Y2017	Y2018	Y2019	Y2020	Y2021	Y2022
Committed operating revenue (tax inclusive) (RMB'0,000)	80,500.0 0	100,625.0 0	130,812.5 0	_____	170,056 .25	204,067.5 0

(2) For the commitments in respect of net sales interest rate, net sales profit and expected distributable profit of the target company, the Assessment Period will be extended by one year upon execution of the Supplementary Agreement. In other words, the year 2020 will not be taken as the assessment year, and 2021 will be regarded as the fourth assessment year and 2022 as the fifth assessment year.

(3) Both parties shall not claim any compensation, damage or other liability against each other for the performance results for 2020.

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

Applicable Not applicable

Contents and reasons	Approval procedures	Notes
On 5 July 2017, the Ministry of Finance issued the Notice on Revising and Issuing the Accounting Standards for Business Enterprises No.14-Revenue (CK(2017)No.22 and required those enterprises both listed in domestic and aboard and those enterprises overseas listed with International Financial Reporting Standards or Accounting Standards for Business Enterprises for preparation of financial statements to implement it since 1 January 2018, required other domestically listed enterprises to implement it since 1 January 2020 and required non-listed enterprises carrying out the Accounting Standards for Business Enterprises to implement it since 1 January 2021. The Company starts to implement the new accounting policy since the date stipulated in above document and starts to implement the new standards governing revenue since 1 January 2020.	Reviewed and approved on the 14 th Meeting of the 8 th Board of Directors and the 11 th Meeting of the 8 th Supervisory Committee	For details, please refer to the announcement on changes in accounting policies disclosed on http://www.cninfo.com.cn dated 27 April 2020.
The Ministry of Finance issued the Notice on Revising and Issuing of Formats of 2019 Financial Statements for General Enterprises (CK[2019]No.16) (hereinafter referred to as "Revising Notice") on 19	Reviewed and approved on the 14 th Meeting of the 8 th Board of Directors and the 11 th Meeting of the 8 th Supervisory Committee	For details, please refer to the announcement on changes in accounting policies disclosed on http://www.cninfo.com.cn dated 27 April 2020.

September 2019, in which the formats of financial statements for general enterprises are revised and non-financial enterprises carrying out accounting standards for business enterprises are required to prepare the financial statements for 2020 and subsequent periods in accordance with provisions stipulated in accounting standards for business enterprises and the Revising Notice.		
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VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

Name of subsidiary	Principal place of business	Registered place	Nature of the business	stake (%)		Make way
				Directly	Indirect	
Anhui Jiudao Culture Media Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Advertisement marketing	100.00		Incorporation through investment
Hubei Xinjia Testing Technology Co., Ltd.	Xianning, Hubei	Xianning, Hubei	Food testing		51.00	Incorporation through investment

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	RSM Certified Public Accountants (LLP)
The Company's payment to the domestic independent auditor (RMB'0,000)	155
How many consecutive years the domestic independent auditor has provided audit service for the Company	2
Names of the certified public accountants from the domestic independent auditor writing signatures on the	Chen Lianwu, Li Jiacheng

auditor's report	
How many consecutive years the certified public accountants have provided audit service for the Company	1

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

Yes No

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

Applicable Not applicable

The Company engaged RSM Certified Public Accountants (LLP) as the internal control auditor in 2020.

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

Applicable Not applicable

XI Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XIII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

XVI Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

No such cases in the Reporting Period.

5. Other Major Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overview of cash entrusted for wealth management during the Reporting Period

Unit: RMB*0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue unrecovered amount
Trust financial products	Self-owned funds	0.00	0.00	0.00
Bank financial products	Self-owned funds	2,300	0.00	0.00
Broker financial products	Self-owned funds	0.00	0.00	0.00
Others	Self-owned funds	20,000	20,000	0.00
Total		22,300	20,000	0.00

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

Unit: RMB*0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Capital resource	Start date	End date	Use of fund	Determination method of remuneration	Annual yield for reference	Estimated profit (if any)	Amount of actual profit or loss in Reporting Period	Actual recovery of profit or loss in Reporting Period	Allowance for impairment (if any)	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any)
DAPU Asset Management	Limited Liability Company	Fund	20,000	Self-owned funds			Purchasing new shares offline, products with	1.2% of products' net value and 20% of excess earnings	7.00%		1,813.48	Recovered		Yes	Yes	

							fixed earnings, reverse repurchase of national debt, and etc.								
Total		20,000	--	--	--	--	--	--		1,813.48	--		--	--	--

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

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Significant Continuing Contracts

Applicable Not applicable

5. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company disclosed Social Responsibilities Report of Enterprises for 2020 on 30 April 2021. (for details, see <http://www.cninfo.com.cn>).

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

In accordance with the "organizations are responsible for villages and individuals are responsible for families" poverty alleviation work arrangement of Bozhou Municipal Party Committee, the Company has established targeted support towards 168 poor families with 296 people in Bali Village, Yanglou Village and Wuma Village, Wuma Town, Qiaocheng District, Bozhou, which have been lifted out of poverty by the joint efforts of people in charge of poverty alleviation and three assistance and support villages as of the

end of December 2020.

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

- ① The Company visited and helped 168 poor households. By uniformly purchasing 168 Chinese New Year gifts, the Company arranged 87 persons in charge of assistance to send the gifts to the 168 poor households. The gifts were not only confined to rice, spring couplets, festive liquor, lotus root and lotus root juice, but also including a sincere New Year blessing;
- ② The Company carried out the “Warm the Young with Love, Help the Young Realize Their Dreams” activity to care for young people with difficulties. The Gujing Group Labor Union and the Youth League Committee respectively went to the three administrative villages (Yanglou, Bali, and Wuma) in Wuma Town, and collected the “small wishes” of the poor young teenagers. And on 7 February 2020, they sent coats, school bags and “love gift packages” to help teenagers to “realize their dream”, and sent blessing and encouraged them to grow up healthily;
- ③ In response to the call of the Bozhou Municipal CPC Committee and Municipal Government, the Company, under the spirit of the *Notice for Provincial Trade Unions to Carry out Anti-pandemic Consumption Actions against Poverty and Implementation Plan of Bozhou City for Consumption Poverty Alleviation Month*, purchased 33,000 kg of moon cakes worth RMB1,097,000 from Yi Wen Xiang Dessert Store, helping promote the sales of agro-products of poor households and contributing to securing a decisive victory in poverty alleviation.

(3) Subsequent Plans

- ① The Company launched a campaign in which 87 responsible persons were assigned to “pay return visits to villages and related households”, during which, they, according to the spirit of the Fifth Plenary Session of the 19th CPC Central Committee, discussed changes and made development plans with the village cadres and the people, with a view to helping the poor people to solve difficulties. The efforts were acclaimed by the people.
- ② The Company was kept posted on the poverty alleviation progress, effectively communicated the spirit of Document B.F.Z. [2020] No. 14. In the meanwhile, the Company took the lead in poverty alleviation in accordance with the requirements of the Organization Department of the Municipal CPC Committee and the Municipal Poverty Alleviation Bureau. The Group's 87 responsible persons contributed to full accomplishment of the poverty alleviation task.
- ③ Absorb aspiring youths in poverty and enlarge employment poverty alleviation and relief. Connect to three positioned assistance and support villages and two stationed villages actively, absorb aspiring youths in poverty or children of households in poverty to work in the Company, and widen the income increase channels of households in poverty.
- ④ The Company carried out "One Lesson, One Area One Practice" activities to facilitate poverty alleviation. Pursuant to the relevant requirements of the Organization Department of Bozhou Municipal Party Committee's *Eight Measures Concerning Poverty Alleviation with Companies Responsible for Villages and Individual Responsible for Households*, Gujing Group organized a series of characteristic activities in creative ways based on its actual work conditions.

3. Issues Related to Environmental Protection

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

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge	Distribution of discharge	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge

			3	outlets					ge
Anbui Gujing Distillery Co., Ltd.	COD	Directly discharge	3	Headquarter plant Zhangji plant Gujing plant	41.52mg/L 32.39mg/L 26.46mg/L	Headquarter ≡ 100mg/L Zhangji ≡ 100mg/L Gujing ≡ 50mg/L	Headquarter: 58.74t Zhangji: 5.78t Gujing: 22.41t	Headquarter: 116.0596t Zhangji: 26.504t Gujing: 105.916t	Naught
Anbui Gujing Distillery Co., Ltd.	NH3-N	Directly discharge	3	Headquarter plant Zhangji plant Gujing plant	0.72mg/L 0.69mg/L 0.28mg/L	Headquarter ≡ 10mg/L Zhangji ≡ 10mg/L Gujing ≡ 5mg/L	Headquarter: 1.02t Zhangji: 0.12t Gujing: 0.24t	Headquarter: 11.606t Zhangji: 2.6504t Gujing: 10.5916t	Naught
Anbui Gujing Distillery Co., Ltd.	Total phosphorus	Directly discharge	3	Headquarter plant Zhangji plant Gujing plant	0.04mg/L 0.05mg/L 0.02mg/L	Headquarter ≡ 1mg/L Zhangji ≡ 1mg/L Gujing ≡ 0.5mg/L	Headquarter: 0.05t Zhangji: 0.01t Gujing: 0.02t	Headquarter: 1.16t Zhangji: 0.265t Gujing: 1.0592t	Naught
Anbui Gujing Distillery Co., Ltd.	Total nitrogen	Directly discharge	3	Headquarter plant Zhangji plant Gujing plant	6.10mg/L 3.32mg/L 5.42mg/L	Headquarter ≡ 20mg/L Zhangji ≡ 20mg/L Gujing ≡ 15mg/L	Headquarter: 8.63t Zhangji: 0.59t Gujing: 4.59t	Headquarter: 23.2119t Zhangji: 5.3008t Gujing: 21.1832t	Naught
Anbui Gujing Distillery Co., Ltd.	Smoke	Organized discharge through chimney	3	Headquarter plant Zhangji plant Gujing plant	1.97mg/m ³ 1.00mg/m ³ 1.92mg/m ³	Headquarter ≡ 10mg/m ³ Zhangji ≡ 20mg/m ³ Gujing ≡ 10mg/m ³	Headquarter: 1.02t Zhangji: 0.02t Gujing: 0.53t	Headquarter: 5.01t Zhangji: / Gujing: 4.301t	Naught
Anbui Gujing Distillery Co., Ltd.	Sulfur Dioxide	Organized discharge through chimney	3	Headquarter plant Zhangji plant Gujing plant	7.78mg/m ³ 0.79mg/m ³ 4.21mg/m ³	Headquarter ≡ 35mg/m ³ Zhangji ≡ 50mg/m ³ Gujing ≡ 35mg/m ³	Headquarter: 4.01t Zhangji: 0.02t Gujing: 1.17t	Headquarter: 17.536t Zhangji: / Gujing: 15.055t	Naught
Anbui Gujing	Nitrogen oxide	Organized	3	Headquarter plant	20.68mg/m ³ 34.93mg/m ³	Headquarter ≡ 50mg/m ³	Headquarter: 10.67t	Headquarter: 25.051t	Naught

Distillery Co., Ltd.		discharge through chimney		Zhangji plant Gujing plant	7.05mg/m ³	Zhangji ≦ 150mg/m ³ Gujing ≦ 50mg/m ³	Zhangji: 0.84t Gujing: 1.96t	Zhangji: 10.318t Gujing: 21.506t	
Anhui Longrui Glass Co., Ltd	Smoke	Organized discharge through chimney	2	No. 1 furnace, No. 2 furnace	1.8mg/m ³ 1.98mg/m ³	No. 1 furnace ≦ 10mg/m ³ No. 2 furnace ≦ 10mg/m ³	No. 1 furnace: 0.31t No. 2 furnace: 0.05t	/	Naught
Anhui Longrui Glass Co., Ltd	Sulfur Dioxide	Organized discharge through chimney	2	No. 1 furnace, No. 2 furnace	10.8mg/m ³ 28.9mg/m ³	No. 1 furnace ≦ 50mg/m ³ No. 2 furnace ≦ 50mg/m ³	No. 1 furnace: 1.89t No. 2 furnace: 0.87t	/	Naught
Anhui Longrui Glass Co., Ltd	Nitrogen oxide	Organized discharge through chimney	2	No. 1 furnace, No. 2 furnace	52.5mg/m ³ 81.6mg/m ³	No. 1 furnace ≦ 200mg/m ³ No. 2 furnace ≦ 200mg/m ³	No. 1 furnace: 9.19t No. 2 furnace: 2.47t	/	Naught

Construction and operation of facilities for preventing pollution:

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

(1) The sewage treatment capacity of the sewage treatment station of Zhangji plant of Anhui Gujing Distillery Co., Ltd is about 500 tons per day. IC anaerobic jar, improved A²/O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in Table 2 of GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

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

(3) The sewage treatment capacity of the sewage treatment station of Gujing Subsidiary under Anhui Gujing Distillery Co., Ltd is about 2500 tons per day. IC anaerobic jar, A²/O and in-depth treatment process is adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in Table 3 of GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

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

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

(1) The flue gas control facilities of thermal power stations of the Headquarters and Gujing Subsidiary of Anhui Gujing Distillery Company Limited run well, and waste gas is discharged through the 65-meter-tall exhaust funnel after the waste gas treatment is up to the standard, adopting the process of cloth-bag dust removal + Limestone - Wet flue gas Desulfurization+ SNCR Denitrification by

non-catalytic reduction + SCR Denitrification by catalytic reduction + Wet electrostatic precipitator, and discharge of flue gas meets the super-low discharge requirements (smoke $\leq 10\text{mg}/\text{m}^3$, $\text{SO}_2 \leq 35\text{mg}/\text{m}^3$, $\text{NO}_x \leq 50\text{mg}/\text{m}^3$).

(2) The boilers at Zhangji Plant under Anhui Gujing Distillery Company Limited are gas-fired boilers with low-nitrogen combustion, and waste gas is discharged through the 20-meter-tall exhaust funnel, of which and discharge of flue gas meets the requirements for coal-fired boiler in Table 3 of GB13271-2014 Emission Standard of Air Pollutants for Industrial Kiln and Furnace (smoke $\leq 20\text{mg}/\text{m}^3$, $\text{SO}_2 \leq 50\text{mg}/\text{m}^3$, $\text{NO}_x \leq 150\text{mg}/\text{m}^3$).

(3) Furnace 3# of Anhui Longrui Glass Co., Ltd. has been shut down, and Furnace 1# and Furnace 2# have undergone a coal-to-gas transformation and now operate stably. Both Furnace 1# and Furnace 2# adopt the process of "bag dedusting + dry desulfurization + low nitrogen + SCR low-temperature denitrification". When the standard is reached, the gas from Furnace 1# is discharged by 45 meters high exhaust tube, and the gas from Furnace 2# is discharged by 50 meters high exhaust tube. The flue gas emissions all conform to the emission requirements (smoke dust $\leq 10\text{mg}/\text{m}^3$; $\text{SO}_2 \leq 50\text{mg}/\text{m}^3$; $\text{NO}_x \leq 200 \text{mg}/\text{m}^3$) set forth in the Technical Guidelines for the Formulation of Emergency Emission Reduction Measures in Heavy Pollution Weather and Key Industries.

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

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

In 2020, the environment protection facilities of Anhui Gujing Distillery Company Limited and its subsidiaries ran normally in general, main pollutants can achieve up-to-standard discharge, environment information is opened to the public normally, and they have performed their social responsibilities properly.

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

No.	Item	Category of EIA	EIA approval (filing) time	EIA approval (filing) number
1	Intelligent Technical Transformation Project of Liquor Production of Anhui Gujing Distillery Co., Ltd.	Environment affection report	10 January 2020	BHB [2020] No. 1
2	Upgrading renovation project of sewage treatment station in Gujing Plant of Anhui Gujing Distillery Company Limited	Environment affection form	29 April 2020	BHB [2020] No. 7
3	Environmental Protection Facilities Improvement Project of Liquor Furnace 1# of Anhui Longrui Glass Co., Ltd.	Environment affection form	15 July 2020	BHB [2020] No. 14
4	Technological transformation project of automatic inspection line for unprocessed grain	Environment affection registration form	11 June 2020	202034160200000209
5	Gujingong Liquor • Aged Original Liquor Theme Hotel Project	Environment affection registration form	10 July 2020	20203416000100000068

Emergency plan for sudden environment affairs

The Company has formulated the Emergency Plan of Anhui Gujing Distillery Company Limited for Sudden Environmental Pollution Accident and the Emergency Plan of Anhui Longrui Glass Co., Ltd for Sudden Environmental Pollution Accident, which have been filed with Bureau of Ecology and Environment of Bozhou. Emergency plan drill has been carried out according to relevant requirements.

Environmental self-monitoring scheme

The Company has formulated the Self-Monitoring Scheme of Anhui Gujing Distillery Company Limited and the Self-Monitoring Scheme of Anhui Longrui Glass Co., Ltd, and published them on the website of Department of Ecology and Environment of Anhui Province.

Other environment information that should be disclosed

Naught

Other related environment protection information

Naught

XIX Other Significant Events

Applicable Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

Applicable Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

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

Reasons for share changes:

 Applicable Not applicable

Approval of share changes:

 Applicable Not applicable

Transfer of share ownership:

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

2. Changes in Restricted Shares

 Applicable Not applicable

II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Non-restricted shares held	Shares in pledge or frozen	
							Status	Shares
ANHUI GUJING GROUP COMPANY LIMITED	State-owned legal person	53.89%	271,404,022			271,404,022	In pledge	114,000,000
GAOLING FUND,L.P.	Foreign legal person	2.47%	12,446,408			12,446,408		
AGRICULTURAL BANK OF	Other	1.84%	9,244,356			9,244,356		

CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND								
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	1.83%	9,192,938			9,192,938		
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	Foreign legal person	1.40%	7,048,161			7,048,161		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED- INVESCO GREAT WALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND	Other	1.37%	6,902,366			6,902,366		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.30%	6,543,600			6,543,600		
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	1.27%	6,396,310			6,396,310		
BANK OF CHINA-CHINA MERCHANTS CHINA SECURITIES LIQUOR INDEX	Other	1.22%	6,160,769			6,160,769		

CLASSIFICATION SECURITIES INVESTMENT FUND								
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	0.92%	4,614,326			4,614,326		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.							
Top 10 non-restricted shareholders								
Name of shareholder	Non-restricted shares held at the period-end	Shares by type						
		Type	Shares					
ANHUI GUJING GROUP COMPANY LIMITED	271,404,022	RMB ordinary share	271,404,022					
GAOLING FUND,L.P.	12,446,408	Domestically listed foreign stock	12,446,408					
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	9,244,356	RMB ordinary share	9,244,356					
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	9,192,938	Domestically listed foreign stock	9,192,938					
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	7,048,161	Domestically listed foreign stock	7,048,161					
INDUSTRIAL AND COMMERCIAL BANK OF	6,902,366	RMB ordinary	6,902,366					

CHINA LIMITED- INVESCO GREAT WALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND		share	
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	6,543,600	RMB ordinary share	6,543,600
HONG KONG SECURITIES CLEARING COMPANY LTD.	6,396,310	RMB ordinary share	6,396,310
BANK OF CHINA-CHINA MERCHANTS CHINA SECURITIES LIQUOR INDEX CLASSIFICATION SECURITIES INVESTMENT FUND	6,160,769	RMB ordinary share	6,160,769
GREENWOODS CHINA ALPHA MASTER FUND	4,614,326	Domestically listed foreign stock	4,614,326
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A		

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

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

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

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person	Date of establishment	Unified social credit code	Principal activity
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	in charge			
ANHUI GUJING GROUP COMPANY LIMITED	Liang Jinhui	16 January 1995	91341600151947437P	Making beverage, construction materials and plastic products, etc.
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	As of 31 December 2020, the controlling shareholder ANHUI GUJING GROUP COMPANY LIMITED directly holds 98,558,300 shares of Huaan Securities Co., Ltd. owning the proportion of shares of 2.72%.			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Information about the Actual Controller and Acting-in-concert Parties

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

Type of the actual controller: legal person

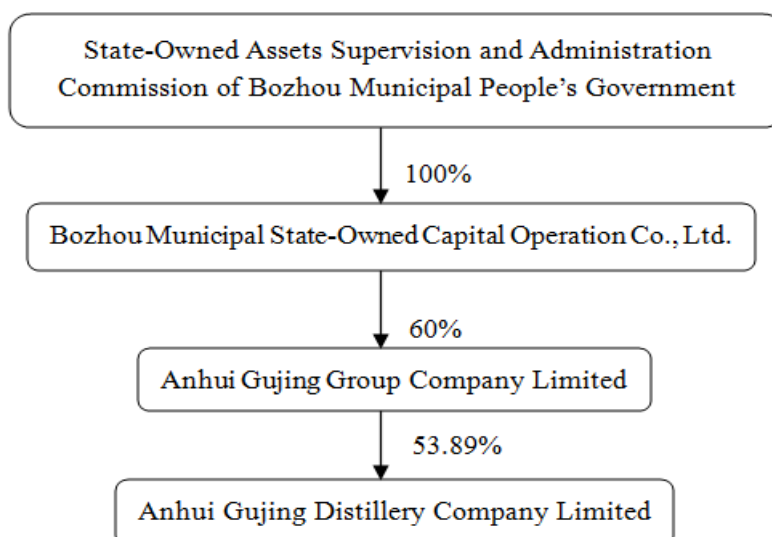
Name of actual controller	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
State-owned Assets Supervision and Administration Commission of the People's Government of Bozhou	N/A	N/A	N/A	N/A
Other listed companies at home or abroad controlled by the actual controller in the Reporting Period	N/A			

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

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



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

Applicable Not applicable

4. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

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

Applicable Not applicable

Part VII Preferred Shares

Applicable Not applicable

No preferred shares in the Reporting Period.

Part VIII Convertible bonds

Applicable Not applicable

No convertible corporate bonds in the Reporting Period.

Part IX Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liang Jinhui	Chairman of the Board	Incumbent	Male	55	19 June 2020	18 June 2023					
Li Peihui	Director	Incumbent	Male	48	19 June 2020	18 June 2023					
Zhou Qingwu	Director, GM	Incumbent	Male	47	19 June 2020	18 June 2023					
Yan Lijun	Director, Executive Deputy GM	Incumbent	Male	48	19 June 2020	18 June 2023					
Xu Peng	Director, Deputy GM	Incumbent	Male	51	19 June 2020	18 June 2023					
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the Board	Incumbent	Male	47	19 June 2020	18 June 2023					
Zhang Guiping	Independent director	Incumbent	Male	70	19 June 2020	18 June 2023					
Wang Ruihua	Independent director	Incumbent	Male	59	19 June 2020	18 June 2023					
Xu	Independent	Incumbent	Male	45	19	18					

Zhihao	t director				June 2020	June 2023					
Sun Wanhua	Chairman of Supervisory Committee	Incumbent	Male	56	19 June 2020	18 June 2023					
Yang Xiaofan	Supervisor	Incumbent	Male	54	19 June 2020	18 June 2023					
Wang Zibin	Employee supervisor	Incumbent	Male	51	19 June 2020	18 June 2023					
Lu Duicang	Supervisor	Incumbent	Male	41	19 June 2020	18 June 2023					
Zhang Bo	Employee supervisor	Incumbent	Male	56	19 June 2020	18 June 2023					
Zhang Lihong	Deputy GM	Incumbent	Male	53	19 June 2020	18 June 2023					
Zhu Xianghong	Deputy GM	Incumbent	Male	47	19 June 2020	18 June 2023					
Gao Jiakun	Deputy GM	Incumbent	Male	51	19 June 2020	18 June 2023					
Li Anjun	Deputy GM	Incumbent	Male	51	28 August 2020	18 June 2023					
Kang Lei	GM assistant	Incumbent	Male	43	28 August 2020	18 June 2023					
Zhu Jiafeng	GM assistant	Incumbent	Male	44	28 August 2020	18 June 2023					
Total	--	--	--	--	--	--					

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type	Date	Reason
Liang Jinhui	Chairman of the Board	Elected	19 June 2020	General election
Li Peihui	Director	Elected	19 June 2020	General election
Zhou Qingwu	Director, GM	Elected, appointed	19 June 2020	General election
Yan Lijun	Director, Executive Deputy GM	Elected, appointed	19 June 2020	General election
Xu Peng	Director, Deputy GM	Elected, appointed	19 June 2020	General election
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the Board	Elected, appointed	19 June 2020	General election
Zhang Guiping	Independent director	Elected	19 June 2020	General election
Wang Ruihua	Independent director	Elected	19 June 2020	General election
Xu Zhihao	Independent director	Elected	19 June 2020	General election
Sun Wanhua	Chairman of Supervisory Committee	Elected	19 June 2020	General election
Yang Xiaofan	Supervisor	Elected	19 June 2020	General election
Lu Duicang	Supervisor	Elected	19 June 2020	General election
Wang Zibin	Employee supervisor	Elected	19 June 2020	General election
Zhang Bo	Employee supervisor	Elected	19 June 2020	General election
Zhang Lihong	Deputy GM	Appointed	19 June 2020	General election
Zhu Xianghong	Deputy GM	Appointed	28 August 2020	Job change
Gao Jiakun	Deputy GM	Appointed	28 August 2020	Job change
Li Anjun	Deputy GM	Appointed	28 August 2020	Job change

Kang Lei	GM assistant	Appointed	28 August 2020	Job change
Zhu Jiafeng	GM assistant	Appointed	28 August 2020	Job change
Wang Gao	Independent director	Left for expiration of term	19 June 2020	General election
Song Shuyu	Independent director	Left for expiration of term	19 June 2020	General election

III Biographical Information

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

1. Mr. Liang Jinhui, male, born in October 1966, member of CPC, is Political Engineer and a deputy to the 13th National People's Congress who has educational experience of graduate student, incumbent Secretary of CPC and president of the Company and president and Secretary of CPC of Gujing Group. He ever took the post of MD, GM, Deputy GM, GM of Bozhou Gujing Sales Co., Ltd., Supervisor of Third Supervisory Committee, Director of the 4th, 5th and 6th Board of Directors and Chairman of the 7th and 8th Board of Directors of the Company.

2. Mr. Li Peihui, male, born in July 1973, member of CPC, is a holder of master degree. He is a senior accountant, CPA and member of national leading accounting talents. At present, he acts as the Company's Vice Secretary of CPC and president of Gujing Group. He had ever served as deputy GM and GM of Financial Department, deputy chief accountant, chief accountant, Secretary of Board of Directors and Director of the Company; Chairman of the Board of Anhui Ruijing Business Travel Group Co. and Anhui Huixin Financial Investment Group; executive vice president and CFO of Gujing Group; and director of the 7th and 8th Board of Directors.

3. Mr. Zhou Qingwu, male, born in February 1974, member of CPC, is a senior accountant, national chief sommelier and China Chief Liquor and Spirits Taster with educational experience of graduate student. At present, he is Vice Secretary of CPC, Director and General Manager of the Company, Vice Secretary of CPC of Gujing Group. He had ever acted as Chairman and General Manager of Bozhou Gujing Packing Material Co., Ltd., Deputy GM and deputy executive GM of the Company and Director of the 5th, 6th, 7th and 8th Board of Directors of the Company.

4. Mr. Yan Lijun, male, June 1973, member of CPC, is a holder of master degree with Senior Taster. Now he is Vice Secretary of CPC, Director, Executive Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board and GM of Bozhou Gujing Sales Co., Ltd. He once worked as a salesman of Sale Company, District Manager, Director of Market Research, Vice Manager of Planning Department, Director of Hefei Strategic Operations Center, Vice GM and director of the 7th and 8th Board of Directors of the Company.

5. Mr. Xu Peng, male, born in September 1970, member of CPC, has educational experience of undergraduate college. He is the member of CPC Committee, Director and Deputy GM of the Company, member of CPC Committee of Gujing Group, and Chairman of the Board of Yellow Crane Tower Liquor Industry Co., Ltd. He had ever acted as Deputy Director and Director of Finance Second Office of Finance Department of the Company, Manager of Finance Department of Anhui Laobada Co., Ltd., Vice Manager and Manager of Finance Department of the Company, Deputy General Manager and Chief Supervisor of Market Supervision Department of Bozhou Gujing Sales Company, Chairman of the 7th Supervisory Committee and Director of the 7th and 8th Board of Directors of the Company.

6. Mr. Ye Changqing, male, born in October 1974, member of CPC, is a member of national leading accounting talents (back up) with master degree and International Certified Internal Auditor. He is the incumbent Director, Deputy GM, Chief Accountant and

Secretary of Board of Directors of the Company. He had ever acted as Chief Auditor of Audit Department, Vice Manager of Audit Department and Vice Supervisor and Supervisor of Auditing & Supervision Department; and Supervisor of the 4th Supervisory Committee of the Company; Director and Secretary of the 5th, 6th, 7th and 8th Board of Directors, and Chief Accountant of the Company.

7. Zhang Guiping, male, born in August 1951, is a member of the Revolutionary Committee of the Chinese Kuomintang and a bachelor's degree holder. He is currently a member of the 13th CPPCC National Committee, Chairman of Sunning Global, Chairman of Suning Universal Co., Ltd., Independent Director of the Company, President of Commercial Culture Association of China, Director of Anhui International Huishang Exchange Association, Director of Southeast University, Director and Professor at Nanjing Normal University, and other social positions. Many awards have been bestowed upon him, including "Excellent Contributor to Building of Socialism with Chinese Characteristics", "China Outstanding Private Entrepreneur", "China Most Influential Business Leader", "Chinese Talent with Great Integrity", "Top Ten Influential People in China Real Estate Industry", and "Outstanding Individual Contributor to China Charity".

8. Wang Ruihua, male, born in January 1962, member of CPC, is a non-practicing Chinese CPA with a doctor's degree in management. Now he acts as a professor and doctoral advisor in the Business School of Central University of Finance and Economics, the independent director in the Company, Beijing Zhong Ke San Huan Hi-Tech Co., Ltd., and Bank Of Beijing Co., Ltd., member of Independent Director Committee of China Association for Public Companies.

9. Xu Zhihao, male, born in June 1976, is a senior engineer who graduated from Renmin University of China. He also holds a master's degree from the PBC School of Finance, Tsinghua University, and is studying for a doctorate at Zhejiang University and Singapore Management University. He possesses the professional qualifications to engage in fund and securities businesses. He is currently Independent Director of the Company, Director of Zhejiang Geely Holding Group, CEO of Geely Technology Group Co., Ltd., Chairman of QJMOTOR, and Chairman of Lifan Group.

10. Sun Wanhua, male, was born in October 1965, member of CPC, with a bachelor degree. Now he acts as the Chairman of the Supervisory Committee of the Company, member of the Party Committee and vice president in Gujing Group. He once held the posts of the member of Standing Committee of CPC County Committee, the Party Secretary of People's Armed Forces Department and political commissar in Minquan County, Henan Province, member of Standing Committee of Discipline Inspection Committee in Bozhou, Deputy Director of Bozhou Supervision Bureau and Deputy Secretary of Bozhou Discipline Inspection Committee, Chairman of the 8th Supervisory Committee of the Company.

11. Mr. Yang Xiaofan, male, born in April 1967, member of CPC, is a holder of master degree. At present, he is Supervisor of the Company and Vice President and member of CPC Committee of Gujing Group. He once acted as Vice President and General Manager of Anhui Gujing Real Estates Group Co., Ltd., Assistant to President of Gujing Group; Director of the 5th, 6th and 7th Board of Directors of the Company and Supervisor of the 7th and 8th Supervisory Committee of the Company.

12. Wang Zibin, male, born in August 1970, member of CPC, a senior auditor, certified internal auditor and CPA with a college degree. Now he acts as the Employee Supervisor of the Company, member of the Party Committee in Gujing Group. He once held the posts of the GM of Audit Department in Gujing Group, Assistant GM in Bozhou Construction Investment Real Estate Development Co., Ltd., CFO and Deputy GM in Hefei Marketing Center of Bozhou Gujing Sales Company, the Supervisor of the 7th and 8th Supervisory Committee of the Company and Director in Audit Supervision Center and Secretary of the Discipline Inspection Committee in Gujing Group.

13. Lu Duicang, male, born in March 1980, member of CPC, a senior accountant with a master degree. Now he serves as the Chairman of Anhui Longrui Glass Co., Ltd. He once acted as the accountant, deputy director, and director of No.1 Center of Finance Department, factory director of the Liquor and Spirits Bottling Branch and Manager of Finished Product Department in the Company, Controller of the Financial Management Center in Gujing Group, GM of Anhui Huixin Finance Investment Group Co., Ltd. Assistant Financial Controller in Gujing Group and the Supervisor of the 5th, 6th, 7th and 8th Supervisory Committee of the Company.

14. Mr. Zhang Bo, male, born in July 1965, member of CPC, is an economist with bachelor degree. Now, he serves as Employee

Supervisor of the Company and Chairman of AnhuiMingguang Liquor Co., Ltd. He once worked as Chairman of the board and GM of Bozhou Gujing Printing Co., Ltd. and Bozhou Gujing Glassware Manufacturing Co., Ltd. as well as Chairman of the Board of Bozhou Ruineng Heat and Power Co., Ltd., Supervisor of the 7th and 8th Supervisory Committee of the Company and Chairman of the Labor Union of Gujing Group.

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

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

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

18. Li Anjun, male, born in May 1970, is a member of CPC with a master's degree. He is currently a member of the Party Committee, Deputy General Manager, Chief Engineer, and Director of the Technical Quality Center of the Company. He served as the Deputy Director of the Company's Technical Quality Center.

19. Kang Lei, male, born in July 1978, is a member of CPC with a college degree. He is currently Assistant to General Manager, and Director of the Enterprise Management Center of the Company. He served as Deputy Director of the Financial Management Center of Bozhou Gujing Sales Company, Director of the Company's Administrative Service Center, and Deputy Director of the President's Executive Office of Gujing Group.

20. Zhu Jiafeng, male, born in August 1977, is a member of CPC with a college degree. He is currently Assistant to General Manager, Deputy Chief Accountant and Director of the Financial Management Center of the Company. He served as the Manager and Deputy Director of the Financial Management Center of the Company.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liang Jinhui	Anhui Gujing Group Co., Ltd.	Chairman of the Board of Directors	1 May 2014		Yes
Li Peihui	Anhui Gujing Group Co., Ltd.	President	31 October 2017		Yes
Sun Wanhua	Anhui Gujing Group Co., Ltd.	Vice President	31 October 2017		Yes
Yang Xiaofan	Anhui Gujing Group Co., Ltd.	Vice President	1 November 2009		Yes
Notes	The above-mentioned personnel, though they take posts in shareholders' entities, comply with the relevant				

	employment requirements of Company Law, Securities Law and never disciplined by CSRC, other relevant departments and the Stock Exchange.
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Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in other entity	Start of tenure	End of tenure	Remuneration or allowance from other entity
Zhang Guiping	Suning Universal Group Co.,Ltd	Chairman of the Board			
Zhang Guiping	Suning Universal Co.,Ltd	Chairman of the Board, President			
Xu Zhihao	Zhejiang Geely Holding Group Co.,Ltd.	Director			
Xu Zhihao	Geely Technology Group Co., Ltd.	CEO			
Xu Zhihao	Zhejiang Qjiang Motorcycle Co.,Ltd.	Chairman of the Board			
Xu Zhihao	Lifan Technology (Group) Co.,Ltd.	Chairman of the Board			
Xu Zhihao	Chongqing Jianghehui Enterprise Management Co., Ltd.	Executive director & manager			
Wang Ruihua	Central University of Finance and Economics	Professor			
Wang Ruihua	Bank Of Beijing Co., Ltd.	Independent director			
Wang Ruihua	Beijing Zhong Ke San Huan High-Tech Co.,Ltd.	Independent director			
Notes	Zhang Guiping, Wang Ruihua and Xu Zhihua are independent directors of the Company.				

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

Applicable Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

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

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

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

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

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

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

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

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liang Jinhui	Chairman of the Board	Male	55	Incumbent		Yes
Li Peihui	Director	Male	48	Incumbent		Yes
Zhou Qingwu	Director, GM	Male	47	Incumbent	120.22	No
Yan Lijun	Director, Executive Deputy GM	Male	48	Incumbent	343.83	No
Xu Peng	Director, Deputy GM	Male	51	Incumbent	103.40	No
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the Board	Male	47	Incumbent	99.89	No
Zhang Guiping	Independent director	Male	70	Incumbent		No
Wang Ruihua	Independent director	Male	59	Incumbent	7.50	No
Xu Zhihao	Independent director	Male	45	Incumbent		No
Sun Wanhua	Chairman of Supervisory Committee	Male	56	Incumbent		Yes
Yang Xiaofan	Supervisor	Male	54	Incumbent		Yes
Wang Zibin	Employee supervisor	Male	51	Incumbent		Yes
Lu Duicang	Supervisor	Male	41	Incumbent	11.38	No

Zhang Bo	Employee supervisor	Male	56	Incumbent		Yes
Zhang Lihong	Deputy GM	Male	53	Incumbent	110.32	No
Zhu Xianghong	Deputy GM	Male	47	Incumbent	291.07	No
Gao Jiakun	Deputy GM	Male	51	Incumbent	93.30	No
Li Anjun	Deputy GM	Male	51	Incumbent	94.36	No
Kang Lei	GM assistant	Male	43	Incumbent	74.82	No
Zhu Jiafeng	GM assistant	Male	44	Incumbent	75.82	No
Wang Gao	Independent director	Male	56	Former	7.50	No
Song Shuyu	Independent director	Male	59	Former	7.50	No
Total	--	--	--	--	1,440.91	--

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

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	5,673
Number of in-service employees of major subsidiaries	4,263
Total number of in-service employees	9,936
Total number of paid employees in the Reporting Period	9,936
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	1,313
Functions	
Function	Employees
Production	5,215
Sales	2,619
Technical	474
Financial	197
Administrative	1,431
Total	9,936
Educational backgrounds	
Educational background	Employees

Master or above	95
Bachelor	2,530
Junior college	2,096
High school or below	5,215
Total	9,936

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

Applicable Not applicable

Part X Corporate Governance

I General Information of Corporate Governance

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

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

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

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

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

Yes No

No such cases in the Reporting Period.

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

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

III Horizontal Competition

Applicable Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 2019 Annual General Meeting	Annual General Meeting	65.52%	19 June 2020	20 June 2020	Announcement on Resolutions of the 2019 Annual General Meeting disclosed on www.cninfo.com.cn
The 1 st Extraordinary General Meeting of 2020	Extraordinary General Meeting	68.11%	11 December 2020	12 December 2020	Announcement on Resolutions of the 1 st Extraordinary General Meeting of 2020 disclosed on www.cninfo.com.cn

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

Applicable Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

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

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Zhang Guiping	4	1	3	0	0	No	0
Wang Ruihua	6	0	6	0	0	No	1
Xu Zhihao	4	1	3	0	0	No	0
Wang Gao	2	0	2	0	0	No	0
Song Shuyu	2	0	2	0	0	No	0

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

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

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

Yes No

No such cases in the Reporting Period.

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

Yes No

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

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

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

1. Duty performance of the Strategy Committee

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

2. Duty performance of the Audit Committee

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

(1) It reviewed the annual report of the Company in 2020.

(2) Upon discussion with RSM China for the 2020 annual audit, it determined the schedule for the financial report and internal control audit for 2020.

(3) It communicated in advance with the CPAs firm and independent directors before the CPAs firm came to the Company and started the 2020 annual audit.

(4) It reviewed the short form of the preliminary financial statements of 2020 prepared by the financial department of the Company for the first time before the annual auditor came to the Company and made some helpful suggestions.

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

(6) After the annual auditor issued the preliminary audit opinion, it reviewed the 2020 annual financial statements again and made the final resolution.

3. Duty performance of the Nomination Committee

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

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

securities market.

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

4. Duty performance of Remuneration and Appraisal Committee

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

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

VII Performance of Duty by the Supervisory Committee

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

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	30 April 2021
Index to the disclosed internal control	See www.cninfo.com.cn for the Anhui Gujing Distillery Company Limited

self-evaluation report	Self-assessment Report of Internal Control	
Evaluated entities' combined assets as % of consolidated total assets		97.60%
Evaluated entities' combined operating revenue as % of consolidated operating revenue		99.84%
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Critical defect: Separate defect or other defects that result in failure in preventing, finding out and correcting major wrong reporting in financial report in time. The following circumstances are deemed as critical defects: (1) Ineffective in controlling the environment; (2) Malpractice of directors, supervisors and senior management officers; (3) According to external auditing, there's major wrong reporting in current financial report, which fails to be found by the company in its operating process; (4) Major defects found and reported to the top management fail to be corrected within a reasonable period of time; (5) The supervision of audit committee of the company and its internal audit department for internal control is ineffective; (6) Other defects that may affect correct judgment of users of statements. Major defect: Separate defect or other defects that result in failure in preventing, finding out and correcting wrong reporting in financial report in time, which shall be noted by the top management despite of not attaining or exceeding critical level. Minor defect: Other internal control defects not constituting critical or major defects.</p>	<p>Any of the following circumstances shall be deemed as a critical defect, and other circumstances shall be deemed as major or minor defects according to their degree of impact.</p> <p>(1) Violate national laws, regulations or standardized documents; (2) Major decision making procedure is not scientific; (3) Lack of systems results in systematic failure; (4) Critical or major defects fail to be rectified; (5) Other circumstances that have major impact on the company.</p>
Quantitative standard	<p>Critical defect:</p> <p>(1) Wrong reporting $\geq 0.5\%$ of total operating revenue; (2) Wrong reporting $\geq 5\%$ of total profit; (3) Wrong reporting $\geq 0.5\%$ of total assets;</p>	<p>Critical defect: The defect with direct property loss amounting to over RMB10 million, has great negative impact on the company and is disclosed in public in the form of announcement.</p>

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

X Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 December 2020.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	30 April 2021
Index to such report disclosed	See www.cninfo.com.cn for Audit Report of Internal Control
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

Yes No

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

Yes No

Part XI Corporate Bonds

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

No

Part XII Financial Statements

I Independent Auditor's Report

Type of auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	29 April 2021
Name of the auditor	RSM China
No. of the auditor's report	Rongcheng audit character [2021] 518Z0472
Name of CPA	Chen Lianwu, Li Jiacheng

Text of the Auditor's Report

To the Shareholders of Anhui Gujing Distillery Company Limited:

I. Opinion

We have audited the financial statements of Anhui Gujing Distillery Co., Ltd. (hereafter referred to as "Anhui Gujing"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2020, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Anhui Gujing's financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

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

(I) Revenue recognition

1. Description

Refer to notes to the consolidated financial statements "3. 25. Revenue" and "5. 33. Revenue and Cost of Sales".

In 2020, the Company achieved revenue of RMB10.292 billion, a decrease of 1.20% compared with the same period in 2019. As revenue is one of the key performance indicators of the company, there may be the risk of material misstatement in whether the revenue is recognized in an appropriate accounting period. Therefore, we regard revenue recognition as a key audit matter.

2. Audit response

Our procedures for revenue recognition include:

- (1) Understand the internal control process design related to the sales business, and execute the walk-through test, perform the control test on the identified key control points;
- (2) Interview with the management, check the samples of sales contract, analyze the significant risk and reward transferring point related to revenue recognition of liquor sales, and then evaluate whether the company's sales revenue recognition policy is reasonable;
- (3) Sampling inspection of supporting documents related to liquor sales revenue recognition, including sales orders, sales invoices, outbound orders, etc.;
- (4) Compared with the liquor sales data of other enterprises in the same industry, compared the liquor sales data of the last period with the current period, analyzed the overall rationality of revenue and gross margin;
- (5) For the liquor sales revenue recognized before and after the balance sheet date, select samples to check the sales orders, sales invoices, outbound orders, etc., in order to evaluate whether the sales revenue is recorded in an appropriate accounting period;
- (6) Confirm the amount of liquor sold and the closing balance of the advance payment to the main distributor by sending confirmation letter.

(II) Accuracy of inventory balances

1. Description

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

Anhui Gujing has a large inventory balance and needs to maintain an appropriate level of inventory to meet future market or production demand. The inventory balance accounts for 22.50% of the Company's total assets, and most of the inventory is semi-finished products and work in progress products. As the most important asset of liquor production enterprises, inventory has a high balance at the end of the year and a large proportion of the total assets. Therefore, we regard the accuracy of the company's inventory balance as a key audit matter.

2. Audit response

Our procedures for the accuracy of inventory balances include:

- (1) Understand the internal control process design related to inventory business, and carry out walk-through test, carry out control tests for identified key control points;
- (2) Obtain the stocktaking plan and stocktaking results of the company, understand the stocktaking methods and review procedures of the company, and supervise the stocktaking;
- (3) Understand the company's inventory cost accounting method, select several months of cost calculation sheet to review, and select the main categories of inventory to carry out valuation test;
- (4) To understand the provision method of the company's inventory impairment, evaluate the appropriateness of the provision method, and review whether the provision amount is correct;
- (5) Perform analytical procedures and compare with companies in the same industry.

IV. Other information

Management of Anhui Gujing is responsible for the other information. The other information comprises the information included in the Annual Report of Anhui Gujing for the year of 2020, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Those charged with governance are responsible for overseeing Anhui Gujing's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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 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 Anhui Gujing's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Anhui Gujing to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Anhui Gujing to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

independence, and where applicable, related safeguards.

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

RSM China CPA LLP

[Name of CPA]: Chen Lianwu

China·Beijing

[Name of CPA]: Li Jiacheng

[Date] 29 April 2021

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

31 December 2020

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary assets	5,971,212,569.66	5,619,749,918.09
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	203,877,915.51	509,031,097.02
Derivative financial assets		
Notes receivable	0.00	1,004,217,431.56
Accounts receivable	67,933,735.91	40,776,567.96
Accounts receivable financing	1,673,510,794.51	0.00
Prepayments	55,575,543.21	197,453,313.96
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	33,451,121.48	25,746,957.22
Including: Interest receivable	0.00	1,908,788.81
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	3,416,880,808.96	3,015,051,961.78
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	97,412,681.26	114,439,167.07
Total current assets	11,519,855,170.50	10,526,466,414.66
Non-current assets:		
Loans and advances to customers		

Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	4,915,575.83	4,678,282.24
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,392,943.54	4,710,086.02
Fixed assets	1,797,789,271.62	1,722,572,998.79
Construction in progress	279,169,201.60	183,984,816.07
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	934,711,977.79	785,717,932.76
Development costs		
Goodwill	478,283,495.29	478,283,495.29
Long-term prepaid expense	64,591,933.65	70,240,106.82
Deferred income tax assets	96,972,421.95	90,494,544.51
Other non-current assets	5,943,717.02	4,148,686.00
Total non-current assets	3,666,770,538.29	3,344,830,948.50
Total assets	15,186,625,708.79	13,871,297,363.16
Current liabilities:		
Short-term borrowings	70,665,500.00	0.00
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	140,614,535.60	703,679,646.86
Accounts payable	505,206,561.86	563,494,195.40
Advances from customers	0.00	529,863,011.73
Contract liabilities	1,206,573,886.26	0.00
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		

Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	498,129,114.76	454,189,532.89
Taxes payable	349,142,692.10	482,903,109.59
Other payables	1,396,599,161.14	1,315,878,229.01
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	320,792,383.03	197,484,121.41
Total current liabilities	4,487,723,834.75	4,247,491,846.89
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings	60,117,638.89	0.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	75,111,997.53	72,778,437.92
Deferred income tax liabilities	114,821,451.24	118,872,366.61
Other non-current liabilities		
Total non-current liabilities	250,051,087.66	191,650,804.53
Total liabilities	4,737,774,922.41	4,439,142,651.42
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		

Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,295,405,592.25	1,295,405,592.25
Less: Treasury stock		
Other comprehensive income		
Specific reserve		
Surplus reserves	256,902,260.27	256,902,260.27
General reserve		
Retained earnings	7,987,380,161.21	6,888,203,911.92
Total equity attributable to owners of the Company as the parent	10,043,288,013.73	8,944,111,764.44
Non-controlling interests	405,562,772.65	488,042,947.30
Total owners' equity	10,448,850,786.38	9,432,154,711.74
Total liabilities and owners' equity	15,186,625,708.79	13,871,297,363.16

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2020	31 December 2019
Current assets:		
Monetary assets	4,287,808,756.66	2,919,818,830.20
Held-for-trading financial assets	203,877,915.51	489,861,097.02
Derivative financial assets		
Notes receivable	0.00	378,740,100.82
Accounts receivable	494,976.27	218,558,555.07
Accounts receivable financing	1,399,214,331.97	0.00
Prepayments	11,737,580.47	17,906,999.63
Other receivables	141,378,010.40	125,219,213.84
Including: Interest receivable	0.00	301,888.89
Dividends receivable		
Inventories	2,976,360,208.66	2,688,839,871.27
Contract assets		

Assets held for sale		
Current portion of non-current assets		
Other current assets	9,734,249.41	1,280,998.32
Total current assets	9,030,606,029.35	6,840,225,666.17
Non-current assets:		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	1,118,213,665.32	1,148,213,665.32
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,392,943.54	4,710,086.02
Fixed assets	1,322,818,855.86	1,310,704,771.36
Construction in progress	139,865,487.21	84,477,784.02
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	369,163,089.18	243,928,047.95
Development costs		
Goodwill		
Long-term prepaid expense	44,072,241.78	48,354,967.15
Deferred income tax assets	30,716,488.80	31,360,809.87
Other non-current assets	75,999.80	574,026.00
Total non-current assets	3,029,318,771.49	2,872,324,157.69
Total assets	12,059,924,800.84	9,712,549,823.86
Current liabilities:		
Short-term borrowings		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	74,535.60	49,114,582.04
Accounts payable	397,554,006.51	450,303,984.53
Advances from customers	0.00	31,724.77
Contract liabilities	1,130,074,436.39	0.00

Employee benefits payable	127,974,331.78	100,357,808.20
Taxes payable	200,876,134.49	371,012,223.50
Other payables	524,000,730.59	274,053,511.54
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities		
Other current liabilities	160,738,917.51	11,953,800.20
Total current liabilities	2,541,293,092.87	1,256,827,634.78
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	31,601,732.51	33,229,246.47
Deferred income tax liabilities	19,407,895.89	22,799,814.64
Other non-current liabilities		
Total non-current liabilities	51,009,628.40	56,029,061.11
Total liabilities	2,592,302,721.27	1,312,856,695.89
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,247,162,107.35	1,247,162,107.35
Less: Treasury stock		
Other comprehensive income		
Specific reserve		

Surplus reserves	251,800,000.00	251,800,000.00
Retained earnings	7,465,059,972.22	6,397,131,020.62
Total owners' equity	9,467,622,079.57	8,399,693,127.97
Total liabilities and owners' equity	12,059,924,800.84	9,712,549,823.86

3. Consolidated Income Statement

Unit: RMB

Item	2020	2019
1. Revenue	10,292,064,534.41	10,416,961,584.23
Including: Operating revenue	10,292,064,534.41	10,416,961,584.23
Interest income		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	7,878,036,538.50	7,833,874,460.30
Including: Cost of sales	2,549,814,944.76	2,426,046,924.89
Interest expense		
Handling charge and commission expense		
Surrenders		
Net insurance claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	1,625,289,169.55	1,592,905,554.04
Selling expense	3,120,977,163.32	3,184,894,221.10
Administrative expense	802,201,580.48	685,280,546.45
R&D expense	40,590,136.46	42,373,017.33
Finance costs	-260,836,456.07	-97,625,803.51
Including: Interest expense	876,815.80	33,652,843.25
Interest income	261,861,342.00	133,813,626.35
Add: Other income	47,474,532.19	98,244,470.32

Return on investment (“-” for loss)	6,787,443.77	126,427,450.28
Including: Share of profit or loss of joint ventures and associates	237,293.59	-221,717.76
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	-19,983,181.51	17,585,151.48
Credit impairment loss (“-” for loss)	-933,752.84	-932,729.84
Asset impairment loss (“-” for loss)	-14,095,047.32	-1,217,745.51
Asset disposal income (“-” for loss)	1,223,536.53	252,518.68
3. Operating profit (“-” for loss)	2,434,501,526.73	2,823,446,239.34
Add: Non-operating income	66,597,288.07	57,805,996.37
Less: Non-operating expense	27,262,848.08	8,410,456.65
4. Profit before tax (“-” for loss)	2,473,835,966.72	2,872,841,779.06
Less: Income tax expense	625,947,783.69	715,037,184.72
5. Net profit (“-” for net loss)	1,847,888,183.03	2,157,804,594.34
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	1,847,888,183.03	2,157,804,594.34
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	1,854,576,249.29	2,097,527,739.86
5.2.1 Net profit attributable to non-controlling interests	-6,688,066.26	60,276,854.48
6. Other comprehensive income, net of tax		
Attributable to owners of the Company as the parent		
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit		

schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value arising from changes in own credit risk		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss		
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.7 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	1,847,888,183.03	2,157,804,594.34
Attributable to owners of the Company as the parent	1,854,576,249.29	2,097,527,739.86
Attributable to non-controlling interests	-6,688,066.26	60,276,854.48
8. Earnings per share		
8.1 Basic earnings per share	3.68	4.17
8.2 Diluted earnings per share	3.68	4.17

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2020	2019
1. Operating revenue	5,879,367,295.74	5,564,895,569.73
Less: Cost of sales	2,404,770,507.12	2,269,256,097.78
Taxes and surcharges	1,486,154,736.28	1,366,947,316.98
Selling expense	51,077,418.28	66,666,543.63
Administrative expense	573,997,212.59	449,947,174.03
R&D expense	26,372,590.76	21,923,357.07
Finance costs	-147,492,851.31	-34,323,060.49
Including: Interest expense	0.00	33,506,232.15
Interest income	147,976,230.15	69,580,038.23
Add: Other income	22,085,298.08	54,224,566.00
Return on investment (“-” for loss)	703,295,993.73	846,168,044.08
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	-19,983,181.51	17,585,151.48
Credit impairment loss (“-” for loss)	381,399.86	-274,201.63
Asset impairment loss (“-” for loss)	-8,393,409.55	-948,348.71
Asset disposal income (“-” for loss)	60,176.99	36,552.41
2. Operating profit (“-” for loss)	2,181,933,959.62	2,341,269,904.36
Add: Non-operating income	38,145,926.01	45,105,856.60
Less: Non-operating expense	22,352,299.16	4,137,379.38
3. Profit before tax (“-” for loss)	2,197,727,586.47	2,382,238,381.58
Less: Income tax expense	374,398,634.87	396,856,938.96

4. Net profit (“-” for net loss)	1,823,328,951.60	1,985,381,442.62
4.1 Net profit from continuing operations (“-” for net loss)	1,823,328,951.60	1,985,381,442.62
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax		
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss		
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other		
6. Total comprehensive income	1,823,328,951.60	1,985,381,442.62
7. Earnings per share		

7.1 Basic earnings per share	3.62	3.94
7.2 Diluted earnings per share	3.62	3.94

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2020	2019
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	10,807,605,859.36	10,746,837,904.99
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Tax rebates	7,344,191.33	9,498,718.50
Cash generated from other operating activities	3,104,278,291.78	1,323,733,316.43
Subtotal of cash generated from operating activities	13,919,228,342.47	12,080,069,939.92
Payments for commodities and services	2,216,094,155.87	1,593,805,653.82
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		

Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	2,377,569,201.11	2,042,656,319.91
Taxes paid	3,323,475,922.81	3,292,028,435.78
Cash used in other operating activities	2,377,545,537.15	4,959,132,466.96
Subtotal of cash used in operating activities	10,294,684,816.94	11,887,622,876.47
Net cash generated from/used in operating activities	3,624,543,525.53	192,447,063.45
2. Cash flows from investing activities:		
Proceeds from disinvestment	326,968,000.00	4,007,300,054.88
Return on investment	41,473,224.56	126,649,168.04
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	3,756,621.07	4,351,897.20
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	372,197,845.63	4,138,301,120.12
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	561,616,750.96	412,329,130.60
Payments for investments	41,798,000.00	1,053,830,000.00
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	603,414,750.96	1,466,159,130.60
Net cash generated from/used in investing activities	-231,216,905.33	2,672,141,989.52
3. Cash flows from financing activities:		
Capital contributions received		

Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised	130,665,500.00	0.00
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	130,665,500.00	
Repayment of borrowings		
Interest and dividends paid	831,838,344.55	755,400,000.00
Including: Dividends paid by subsidiaries to non-controlling interests	75,792,108.39	0.00
Cash used in other financing activities		
Subtotal of cash used in financing activities	831,838,344.55	755,400,000.00
Net cash generated from/used in financing activities	-701,172,844.55	-755,400,000.00
4. Effect of foreign exchange rates changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	2,692,153,775.65	2,109,189,052.97
Add: Cash and cash equivalents, beginning of the period	2,944,749,918.09	835,560,865.12
6. Cash and cash equivalents, end of the period	5,636,903,693.74	2,944,749,918.09

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2020	2019
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	6,224,786,292.61	4,469,643,061.53
Tax rebates	367,573.41	4,448,500.00
Cash generated from other operating activities	1,055,973,163.52	530,824,780.80
Subtotal of cash generated from operating activities	7,281,127,029.54	5,004,916,342.33
Payments for commodities and services	1,620,053,478.29	1,103,336,566.52
Cash paid to and for employees	785,902,280.22	674,939,745.53

Taxes paid	2,490,592,485.18	1,967,147,571.63
Cash used in other operating activities	235,549,046.19	1,195,092,963.86
Subtotal of cash used in operating activities	5,132,097,289.88	4,940,516,847.54
Net cash generated from/used in operating activities	2,149,029,739.66	64,399,494.79
2. Cash flows from investing activities:		
Proceeds from disinvestment	306,970,000.00	2,200,740,054.88
Return on investment	738,058,038.36	846,168,044.08
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	5,535,791.98	2,760,011.69
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	1,050,563,830.34	3,049,668,110.65
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	414,403,643.54	271,021,692.83
Payments for investments	21,800,000.00	716,000,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	436,203,643.54	987,021,692.83
Net cash generated from/used in investing activities	614,360,186.80	2,062,646,417.82
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Interest and dividends paid	755,400,000.00	755,400,000.00

Cash used in other financing activities		
Subtotal of cash used in financing activities	755,400,000.00	755,400,000.00
Net cash generated from/used in financing activities	-755,400,000.00	-755,400,000.00
4. Effect of foreign exchange rates changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	2,007,989,926.46	1,371,645,912.61
Add: Cash and cash equivalents, beginning of the period	2,079,818,830.20	708,172,917.59
6. Cash and cash equivalents, end of the period	4,087,808,756.66	2,079,818,830.20

7. Consolidated Statements of Changes in Owners' Equity

2020

Unit: RMB

Item	2020															
	Equity attributable to owners of the Company as the parent												Non-controlling interests	Total owners' equity		
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other			Subtotal	
		Preferred shares	Perpetual bonds	Other												
1. Balance as at the end of the prior year	503,600,000.				1,295,405,592.25					256,902,260.27		6,888,203,911.92		8,944,111,764.44	488,042,947.30	9,432,154,711.74
Add: Adjustment for change in accounting policy																
Adjustment for correction of previous error																

Adjustment for business combination under common control																									
Other adjustments																									
2. Balance as at the beginning of the year	503,600,000.				1,295,405,592.				256,902,260.				6,888,203,911.				8,944,111,764.4				488,042,947.				9,432,154,711.7
	00				25				27				92				4				30				4
3. Increase/decrease in the period ("-" for decrease)													1,099,176,249.				1,099,176,249.2				-82,480,174.6				1,016,696,074.6
													29				9				5				4
3.1 Total comprehensive income													1,854,576,249.				1,854,576,249.2				-6,688,066.26				1,847,888,183.0
													29				9								3
3.2 Capital increased and reduced by owners																									
3.2.1 Ordinary shares																									

n to owners (or shareholders)															
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in															

defined benefit schemes transferred to retained earnings																												
3.4.5 Other comprehensive income transferred to retained earnings																												
3.4.6 Other																												
3.5 Specific reserve																												
3.5.1 Increase in the period																												
3.5.2 Used in the period																												
3.6 Other																												
4. Balance as at the end of the period	503,600,000.				1,295,405,592.				256,902,260.				7,987,380,161.				10,043,288,013.				405,562,772.				10,448,850,786.			
	00				25				27				21				73				65				38			

Unit: RMB

Item	2019														
	Equity attributable to owners of the Company as the parent												Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
1. Balance as at the end of the prior year	503,600,000.				1,295,405,592.25		4,794,830.59		256,902,260.27		5,541,281,341.47		7,601,984,024.58	427,766,092.82	8,029,750,117.40
Add:															
Adjustment for change in accounting policy							-4,794,830.59				4,794,830.59				
Adjustment for correction of previous error															
Adjustment for business combination under common															

control														
Other adjustments														
2. Balance as at the beginning of the year	503,600,000.			1,295,405,592.			256,902,260.		5,546,076,172.		7,601,984,024.	427,766,092.8	8,029,750,117.	
	00			25			27		06		58	2	40	
3. Increase/decrease in the period (“-” for decrease)									1,342,127,739.		1,342,127,739.	60,276,854.48	1,402,404,594.	
									86		86		34	
3.1 Total comprehensive income									2,097,527,739.		2,097,527,739.	60,276,854.48	2,157,804,594.	
									86		86		34	
3.2 Capital increased and reduced by owners														
3.2.1 Ordinary shares increased by owners														
3.2.2 Capital increased by holders of other equity														

instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit distribution										-755,400,000.0 0		-755,400,000.0 0		-755,400,000.0 0	
3.3.1 Appropriatio n to surplus reserves															
3.3.2 Appropriatio n to general reserve															
3.3.3 Appropriatio n to owners (or shareholders)										-755,400,000.0 0		-755,400,000.0 0		-755,400,000.0 0	
3.3.4 Other															
3.4 Transfers															

within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit schemes transferred to retained earnings															
3.4.5 Other															

comprehensive income transferred to retained earnings																	
3.4.6 Other																	
3.5 Specific reserve																	
3.5.1 Increase in the period																	
3.5.2 Used in the period																	
3.6 Other																	
4. Balance as at the end of the period	503,600,000.				1,295,405,592.25				256,902,260.27			6,888,203,911.92			8,944,111,764.44	488,042,947.30	9,432,154,711.74

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

2020

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury	Other comprehensive	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred	Perpetual	Other								

		shares	bonds			stock	income					
1. Balance as at the end of the prior year	503,600,000.00				1,247,162,107.35				251,800,000.00	6,397,131,020.62		8,399,693,127.97
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the year	503,600,000.00				1,247,162,107.35				251,800,000.00	6,397,131,020.62		8,399,693,127.97
3. Increase/ decrease in the period (“-” for decrease)										1,067,928,951.60		1,067,928,951.60
3.1 Total comprehensive income										1,823,328,951.60		1,823,328,951.60
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based												

payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-755,400,000.00		-755,400,000.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-755,400,000.00		-755,400,000.00
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to												

retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the period	503,600,000.00				1,247,162,107.35				251,800,000.00	7,465,059,972.22		9,467,622,079.57

2019

Unit: RMB

Item	2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	503,600,000.00				1,247,162,107.35		4,794,830.59		251,800,000.00	5,162,354,747.41		7,169,711,685.35
Add: Adjustment for change in accounting policy							-4,794,830.59			4,794,830.59		
Adjustment for correction of												

previous error												
Other adjustments												
2. Balance as at the beginning of the year	503,600,000.00				1,247,162,107.35				251,800,000.00	5,167,149,578.00		7,169,711,685.35
3. Increase/ decrease in the period (“-” for decrease)										1,229,981,442.62		1,229,981,442.62
3.1 Total comprehensive income										1,985,381,442.62		1,985,381,442.62
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other												
3.3 Profit distribution										-755,400,000.00		-755,400,000.00
3.3.1												

Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-755,400,000.00		-755,400,000.00
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												

3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the period	503,600,000.00				1,247,162,107.35				251,800,000.00	6,397,131,020.62		8,399,693,127.97

Anhui Gujing Distillery Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2020

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

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

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

The Company issued 60 million foreign-oriented shares for domestic listing (hereinafter “B” shares) in June 1996 and 20 million domestic listed CNY ordinary shares (hereinafter “A” shares) in September 1996, the par value of ordinary shares is CNY 1 per share. Both A share and B share are listed on Shenzhen Stock exchange.

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

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

On May 29, 2006, the shareholder meeting for the Company’s split share structure reform of A-share market has discussed and approved the proposal of the split share structure

reform, and the reform was implemented in June 2006. After the implementation of the Company's split share structure reform, all shares of the Company became tradable shares, which included 147,000,000 shares with restrictions on disposal, representing 62.55% of total share capital, and 88,000,000 shares without restrictions on disposal, representing 37.45% of total share capital.

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

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

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

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

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

As of 31 December 2019, the accumulated number of issued share capital was 503.60 million shares. See Note 5.30.

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

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

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

The financial statements were approved and authorized for issue, upon the resolution of the Company's Board of Directors meeting on 29 April 2021.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

At 31 December 2020, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Shareholding (or similar equity interest) (%)	
			Direct	Indirect
1	Bozhou Gujing Sales Co., Ltd.	Gujing Sales	100.00	-
2	Anhui Jinyunlai Culture & Media Co., Ltd.	Jinyunlai	100.00	-
3	Anhui Ruisiweier Technology Co., Ltd.	Ruisiweier	100.00	-
4	Anhui Longrui Glass Co., Ltd.	Longrui Glass	100.00	-
5	Bozhou Gujing Waste Recycling Co., Ltd.	Gujing Waste	100.00	-

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Shareholding (or similar equity interest) (%)	
			Direct	Indirect
6	Shanghai Gujing Jinhao hotel management company	Jinhao Hotel	100.00	-
7	Bozhou Gujing hotel Co., Ltd	Gujing Hotel	100.00	-
8	Anhui Yuanqing environmental protection Co., Ltd.	Yuanqing Environmental Protection	100.00	-
9	Anhui Gujing Yunshang Electronic Commerce Co., Ltd	Gujing Electronic Commerce	100.00	-
10	Anhui Zhenrui Construction Engineering Co., Ltd	Zhenrui Construction Engineering	100.00	-
11	Anhui Runanxinke Testing Tech. Co., Ltd.	Runanxinke Testing	100.00	-
12	Anhui Jiudao Culture Media Co., Ltd.	Jiudao Culture	100.00	-
13	Yellow Crane Tower Wine Co., Ltd	Yellow Crane Tower Wine	51.00	-
14	Yellow Crane Tower Wine (Suizhou) Co., Ltd	Suizhou Yellow Crane Tower	-	51.00
15	Hubei Junlou Cultural Tourism Co., Ltd.	Junlou Culture	-	51.00
16	Hubei Yellow Crane Tower Beverage Co., Ltd.	Yellow Crane Tower Beverage	-	51.00
17	Yellow Crane Tower Wine (Xianning) Co., Ltd.	Xianning Yellow Crane Tower	-	51.00
18	Wuhan Yashibo tech. Co., Ltd.	Yashibo	-	51.00
19	Hubei Xinjia Testing Technology Co., Ltd.	Xinjia Testing	-	51.00
20	Wuhan Tianlong Jindi Technology Development Co., Ltd.	Tianlong Jindi	-	51.00
21	Wuhan Junya Sales Co., Ltd.	Junya Sales	-	51.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Proportion of Shareholding (or similar equity interest) (%)	
			Direct	Indirect
22	Xianning Junhe Sales Co., Ltd.	Xianning Junhe	-	51.00
23	Suizhou Junhe Commercial Co., Ltd.	Suizhou Junhe	-	51.00

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

(b) Change of the scope of consolidation

Compared with the previous period, the newly incorporated subsidiaries during the reporting period are “Xinjia Testing”, “Jiudao Culture”, and cancelled subsidiary “Baiweilu Liquor”.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

2.2 Going Concern

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

3.SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company's financial position as at 31 December 2020, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting Period

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

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

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

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

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

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration

paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

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

(b) Business combinations not under common control

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

- (i) It shall review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the review, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognised in profit or loss of the reporting period.

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

(c) Treatment of business combination related costs

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

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

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

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

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

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

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

- a. Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- b. Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- c. Measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the

change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business combination not under common control.

(c) Method of preparing the consolidated financial statements

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

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

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

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

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

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

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

(i) Acquisition of subsidiaries or business

Subsidiaries or business acquired through business combination under common control

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

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

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

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

Subsidiaries or business acquired through business combination not under common control

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

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

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

(ii) Disposal of subsidiaries or business

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

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

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

(e) Special consideration in consolidation elimination

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

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

corresponding subsidiary's equity.

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

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

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

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

(f) Accounting for Special Transactions

(i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term

equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the acquisition date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted into capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

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

Business combination under common control in stages through multiple transactions

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

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

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

Business combination not under common control in stages through multiple transactions

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

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

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

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

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

Disposal through one transaction

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

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

Disposal in stages

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

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

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

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

- (a) The transactions are entered into simultaneously or in contemplation of one another.
- (b) The transactions form a single transaction designed to achieve an overall commercial effect.

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

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

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

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

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

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

(a) Joint operation

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

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

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

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

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

3.8 Cash and Cash Equivalents

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

3.9 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements**(a) Determination of the exchange rate for foreign currency transactions**

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

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

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

(c) Translation of foreign currency financial statements

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

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

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

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

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

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

3.10 Financial Instruments

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

(a) Recognition and derecognition of financial instrument

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

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

- (i) The rights to the contractual cash flows from a financial asset expire
- (ii) The financial asset has been transferred and meets one of the following derecognition conditions:

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

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

(b) Classification and measurement of financial assets

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

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

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

(i) Financial asset at amortised cost

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

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

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

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

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

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

profit or loss.

(c) Classification and measurement of financial liabilities

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

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

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

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

(ii) Loan commitments and financial guarantee contracts

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

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

(iii) Financial liabilities at amortised cost

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

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

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

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

(d) Derivatives and embedded derivatives

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

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

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative

shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

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

(i) Measurement of expected credit losses

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

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

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

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

expected credit losses.

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

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

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

Receivables

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

Determination basis of notes receivable is as following:

Group 1: Commercial acceptance bills

Group 2: Bank acceptance bills

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

situation.

Determination basis of accounts receivable is as following:

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

Group 2: Accounts receivables due from other customers

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

Determination basis of other receivables is as following:

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

Group 2: Other receivables due from others

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

Debt investment and other debt investment

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

(ii) Low credit risk

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

(iii) Significant increase in credit risk

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

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

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behaviour of the borrower;
- Contractual payments are more than 30 days past due.

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

Generally, the Company shall determine the credit risk on a financial asset has increased

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

(iv) Credit-impaired financial asset

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

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

(v) Presentation of impairment of expected credit loss

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

(vi) Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition

of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

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

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

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

(i) Derecognition of transferred assets

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

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

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

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

- The carrying amount of transferred financial asset;
- The sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for*

Business Enterprises No.22 - Recognition and Measurement of Financial Instruments).

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

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

(ii) Continuing involvement in transferred assets

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

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

(iii) Continue to recognise the transferred assets

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

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

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of

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

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

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

(h) Determination of fair value of financial instruments

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

3.11 Fair Value Measurement

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

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

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

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

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

- Valuation techniques

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

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

- Fair value hierarchy

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

3.12 Inventories

(a) Classification of inventories

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

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

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

(c) Inventory system

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

(d) Provision for impairment of inventory

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

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

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

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

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

are determined on a category basis.

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

(e) Amortisation method of low-value consumables

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

Package material: One-off writing off method is adopted

3.13 Contract assets and contract liabilities

Effective from 1 January 2020

Contract assets and contract liabilities are recognised on the basis of fulfilment of performance obligations and payment received from clients. A right to receive a promised consideration from a client resulting from goods transferred to or services provided to the client (where the right to consideration is dependent on factors other than the passage of time) is recognised a contract asset. A payment received from a client for which goods shall be transferred to or services shall be provided to the client is recognised as a contract liability.

See Note 3.10 for the determination method and accounting treatment method of impairment of contract assets.

Contract assets and contract liabilities are presented as line items on the statement of financial position. A contract asset and contract liability arising from one contract are presented in net; while the net amount is a debit balance, it is presented in contract assets or other non-current assets depending on liquidity; while the net amount is a credit balance, it is presented in contract liabilities or other non-current liabilities depending on liquidity. Contract assets and contract liabilities arising from different contracts are not be offset.

3.14 Contract costs

Effective at 1 January 2020

Costs for a contract include costs to fulfill the contract and costs to obtain the contract.

An asset is recognised for the costs incurred to fulfill a contract on if those costs meet all of the following criteria:

- I. the costs are directly associated with a contract or an anticipated contract, explicitly chargeable to the client under the contract, incurred only for the contract;
- II. the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- III. the costs are expected to be recovered.

An asset is recognised for the costs incurred to obtain a contract with a client if those costs are expected to be recovered.

An asset recognised for the costs of a contract are amortised on a systematic basis that is consistent with recognition of revenue arising from the contract. Where the costs incurred to obtain a contract would be amortised for a period less than one year should they be recognised as an asset, the costs are recognised in the current profit or loss as incurred.

An impairment is recognised for an asset recognised for the costs of a contract to the extent that the carrying amount of the asset exceeds:

- I. the remaining amount of consideration that is expected to be received in exchange for the goods or services to which the asset relates; less
- II. the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Upon recognition of the impairment, further consideration is given for provision for an onerous contract, in necessary.

A reversal of some or all of an impairment loss previously recognised for an asset for the costs of a contract when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset is capped by the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

An asset recognised for the costs to fulfill a contract is presented in inventories if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

An asset recognised for the costs to obtain a contract is presented in other current assets if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

3.15 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of,

or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

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

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

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

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

(b) Determination of initial investment cost

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

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is

recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

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

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

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

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

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

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

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

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

(c) Subsequent measurement and recognition of profit or loss

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

(i) Cost method

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

(ii) Equity method

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

The Company recognises the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee's net profits or losses after making appropriate adjustments of investee's net profit based on the fair

values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

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

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

(d) Equity investment classified as held for sale

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

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

accordingly.

(e) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or a joint venture, provision for impairment loss please refer to Note 3.21.

3.16 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- (i) Land use right leased out
- (ii) Land held for transfer upon appreciation
- (iii) Buildings leased out

(b) The measurement model of investment property

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

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

3.17 Fixed Assets

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

(a) Recognition criteria of fixed assets

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

- (i) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- (ii) The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if

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

(b) Depreciation methods of fixed assets

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

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

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

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

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

If the entire risk and rewards related to the leased assets have been substantially transferred, the Company shall recognise the lease as a finance lease. The cost of the fixed assets obtained through a finance lease is determined at the lower of the fair value of the leased assets and the present value of the minimum lease payment on the date of the lease. The fixed assets obtained by a finance lease are depreciated in the method which is consistent with the self-owned fixed assets of the Company. For fixed assets obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets

will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.18 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

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

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

3.19 Borrowing Costs

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

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

- (i) Expenditures for the asset are being incurred;
- (ii) Borrowing costs are being incurred, and;
- (iii) Acquisition, construction or production activities that are necessary to prepare the

assets for their intended use or sale are in progress.

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

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

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

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

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

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

3.20 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are recognised at actual cost at acquisition.

(b) The useful life and amortisation of intangible assets

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

Category	Estimated useful life	Basis
Land use right	50 years	Legal life
Patent right	10 years	The service life is determined by reference to the period that can bring

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

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

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

(iii) Amortisation of the intangible assets

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

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

within the estimated useful lives.

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

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

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

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

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

- (i) Technical feasibility of completing the intangible assets so that they will be available for use or sale;
- (ii) Its intention to complete the intangible asset and use or sell it;
- (iii) The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;
- (iv) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (v) Its ability to measure reliably the expenditure attributable to the intangible asset.

3.21 Impairment of Long-Term Assets

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

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall

estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

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

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

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

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

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

3.22 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be

amortised over current and subsequent periods with the amortisation period exceeding one year. Long-term deferred expenses are evenly amortised over the beneficial period

3.23 Employee Benefits

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

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

(a) Short-term employee benefits

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

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

(ii) Employee welfare

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

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

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

(iv) Short-term paid absences

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

(v) Short-term profit-sharing plan

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

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

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

(b) Post-employment benefits

(i) Defined contribution plans

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

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

(ii) Defined benefit plan

The present value of defined benefit obligation and current service costs

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased

and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

The net defined benefit liability or asset

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

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

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

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

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

The amount recognised in other comprehensive income

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

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

Remeasurements of the net defined benefit liability (asset) recognised in other

comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognised in other comprehensive income within equity.

(c) Termination benefits

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

- (i) When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- (ii) When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

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

(d) Other long-term employee benefits

- (i) Meet the conditions of the defined contribution plan

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

- (ii) Meet the conditions of the defined benefit plan

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

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

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

3.24 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

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

- (i) That obligation is a current obligation of the Company;
- (ii) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) The amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

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

3.25 Revenue recognition principle and measurement

Effective from 1 January 2020

3.25.1 General principle

Revenue is the total inflow of economic benefits formed in the company's daily activities that will increase shareholders' equity and does not relate to the capital invested by shareholders.

The Company has fulfilled the performance obligation in the contract, that is, the revenue is recognised when the customer obtains the control right of relevant goods. To obtain the control right of the relevant commodity means to be able to dominate the use of the

commodity and obtain almost all the economic benefits from it.

If there are two or more performance obligations in the contract, the Company will allocate the transaction price to each performance obligation based on the relative proportion of the separate selling price of the goods or services promised by each performance obligation on the start date of the contract, and measure the income based on the transaction price allocated to each single performance obligation.

The transaction price refers to the amount of consideration that the Company is expected to be entitled to receive due to the transfer of goods or services to customers, excluding payments collected on behalf of third parties. When determining the transaction price of the contract, the Company determines the transaction price according to the terms of the contract and in combination with its historical practices. When determining the transaction price, the Company takes into account the influence of variable considerations, significant financing elements in the contract, the non-cash considerations, the considerations payable to customers and other factors. The Company determines the transaction price including variable consideration at an amount that does not exceed the amount at which the accumulated recognized income is unlikely to have a significant reversal when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable in cash when the customer obtains the control right of the commodity. The difference between the transaction price and the contract consideration will be amortised by the effective interest method during the contract period. If the interval between the control right transfer and the customer's payment is less than one year, the company will not consider the financing component.

If one of the following conditions is met, the performance obligation shall be fulfilled within a certain period of time; otherwise, the performance obligation shall be fulfilled at a certain point of time:

- (a) The customer obtains and consumes the economic benefits brought by the Company's fulfillment of contract when the Company performs the obligations;
- (b) The customer can control the commodities under construction during the Company's execution of the contract;
- (c) The commodities produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to collect payment for the

cumulative performance part that has been completed so far during the entire contract period.

For performance obligations fulfilled within a certain period of time, the Company recognises revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. The Company determines the progress of the performance of services in accordance with the input method (or output method). When the progress of the contract performance cannot be reasonably determined, if the cost incurred by the Company is expected to be compensated, the revenue shall be recognised according to the amount of the cost incurred until the progress of the contract performance can be reasonably determined.

For performance obligations fulfilled at a certain point in time, the Company recognises revenue at the point when the customer obtains control of the relevant commodities. The Company considers the following signs when judging whether a customer has obtained control of goods or services:

- (a) The Company has the current right to receive payment for the goods or services, that is, the customer has the current obligation to pay for the goods;
- (b) The Company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods;
- (c) The Company has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind;
- (d) The company has transferred the main risks and rewards of the ownership of the goods to the customers, that is, the customers have obtained the main risks and rewards of the ownership of the goods;
- (e) The customer has accepted the goods or services.
- (f) Other indications that the customer has obtained control of the product

3.25.2 Specific methods

The specific methods of the Company's revenue recognition are as follows:

(a) Revenue from sale of goods

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

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

to the buyer;

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

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

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

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

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

(b) Revenue from rendering of services

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

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

The Company shall determine the total revenue from rendering of services based on the received or receivable price stipulated in the contract or agreement, unless the received or receivable amount as stipulated in the contract or agreement is unfair. At the end of the reporting period, the Company shall recognise the revenue from rendering of the services in current period, based on the amount of multiplying the total amount of revenues from

rendering of the services by the percentage of completion then deducting the accumulative revenues from rendering of the services that have been recognised in the previous accounting periods. At the same time, the Company shall recognise the current cost incurred for rendering of the services based on the amount of multiplying the total estimated cost for rendering of the services by the percentage of completion and then deducting the accumulative costs from rendering of the services that have been recognised in the previous accounting periods.

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

- (i) When the costs incurred are expected to be recovered, revenue shall be recognised to the extent of costs incurred and charge an equivalent amount of cost to the profit and loss;
- (ii) When the costs incurred are not expected to be recovered, revenue shall not be recognised and the costs incurred are recognised into current profit or loss

(c) Revenue from alienating the right to use assets

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

- (i) Interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- (ii) The amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3.26 Government Grants

(a) Recognition of government grants

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

- (i) The Company will comply with the conditions attaching to them; and
- (ii) The grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a

nominal value of CNY 1.00 when reliable fair value is not available.

(c) Accounting for government grants

(i) Government grants related to assets

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

(ii) Government grants related to income

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

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

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

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

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

(iii) Loan interest subsidy

When loan interest subsidy is allocated to the bank, and the bank provides a loan at

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

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

(iv) Repayment of the government grants

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

3.27 Deferred Tax Assets and Deferred Tax Liabilities

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

(a) Recognition of deferred tax assets

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

- (i) Is not a business combination; and
- (ii) At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

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

that, it is probable that:

- (i) The temporary difference will reverse in the foreseeable future; and
- (ii) Taxable profit will be available against which the deductible temporary difference can be utilised.

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

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

(b) Recognition of deferred tax liabilities

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

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

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

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

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

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

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

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

(ii) Items directly recognised in equity

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

(iii) Unused tax losses and unused tax credits

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

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

Unused tax losses and unused tax credits arising from a business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any

remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

(v) Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

3.28 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

On 5 July, 2017, Ministry of Finance announced the “Accounting Standards for Business Enterprises No. 14-Revenue (Revised in 2017)” (Caikuai [2017] No.22) (hereinafter referred to as the "New Revenue Standards"), requiring the domestic listed companies to implement the new revenue standards from 1 January 2020. The company implemented the new revenue standard on 1 January 2020, and adjusted the relevant content of the accounting policy. Please refer to Note 3.25 for details.

The new revenue standards require that the cumulative impact of the first implementation of the standards shall be adjusted for the amount of retained earnings and other related items in the financial statements at the beginning of the first implementation year (1 January 2020), and the information of the comparable period shall not be adjusted.

On 10 December 2019, the Ministry of Finance issued the “Interpretation of Accounting Standards for Business Enterprises No. 13 principle”. The company implemented the interpretation on 1 January 2020, and does not retrospectively adjust previous years.

Due to the implementation of the new revenue standards, the Company's consolidated financial statements correspondingly adjusted the contract liabilities of CNY 468,905,320.12, advances from customers of CNY -529,863,011.73 and other current liabilities of CNY 60,957,691.61. The impact of the relevant adjustments on the equity attributable to shareholders of the parent company of Company's consolidated financial statements is CNY 0.00, which the surplus reserve is CNY 0.00, and the retained earnings is CNY 0.00; the impact on non-controlling shareholders' equity is CNY 0.00. The financial statements of the parent company correspondingly adjusted the contract liabilities of CNY 28,075.02, advances from customers of CNY -31,724.77 and other current liabilities of CNY 3,649.75. The impact of the relevant adjustments on the shareholders' equity of the financial statements of the parent company is CNY 0.00, which the surplus reserve is CNY 0.00, and the retained earnings is CNY 0.00; the impact on non-controlling shareholders' equity is CNY 0.00. The specific adjustments are as follows:

(b) Significant changes in accounting estimates

The Company has no significant changes in accounting estimates for the reporting period.

(c) Adjustments of the financial statements at the beginning of the reporting period for the first-year adoption of new revenue standards.

Consolidated Financial Statements

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Advances from customers	529,863,011.73	-	-529,863,011.73
Contract liabilities	N/a.	468,905,320.12	468,905,320.12
Other current liabilities	197,484,121.41	258,441,813.02	60,957,691.61

Financial Statements of Parent Company

Unit: Yuan Currency: CNY

Items	31 December 2019	1 January 2020	Adjustment
Advances from customers	31,724.77	-	-31,724.77

Items	31 December 2019	1 January 2020	Adjustment
Contract liabilities	N/a.	28,075.02	28,075.02
Other current liabilities	11,953,800.20	11,957,449.95	3,649.75

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	Output VATs are calculated and paid on taxable revenues at a tax rate of 13% (16%) or 10% or 6%, and VATs are paid at the net amounts after deducting input VATs for the reporting period	13%、9%、6%
Consumption taxes	The consumption taxes are paid on the taxable sales	For the liquor sold, the ad valorem consumption tax shall be calculated and paid as CNY1.00 per kilogram or 1000ml, and the ad valorem consumption tax shall be calculated and paid as per 20% of the taxable sales
Urban maintenance and construction tax	Urban maintenance and construction taxes are paid on turnover taxes	7%, 5%
Educational surcharge	Educational surcharges are paid on turnover taxes	3%
Local educational surcharge	Local educational surcharges are paid on turnover taxes	2%

Enterprise income tax	Business taxes are calculated and paid on taxable revenues	25%
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The basic income tax rate of the Company is 25%, and the actual income tax rate of some subsidiaries is other tax rates as shown in the following table:

Subsidiary	Tax rate
Anhui Longrui Glass Co., Ltd.	15.00%
Anhui Ruisiweier Technology Co., Ltd.	15.00%
Wuhan Yashibo tech. Co., Ltd.	15.00%
Bozhou Gujing Waste Recycling Co., Ltd.	5.00%
Bozhou Gujing hotel Co., Ltd	5.00%
Anhui Zhenrui Construction Engineering Co., Ltd	5.00%
Hubei Junlou Cultural Tourism Co., Ltd.	5.00%
Hubei Yellow Crane Tower Beverage Co., Ltd.	5.00%
Hubei Xinjia Testing Technology Co., Ltd.	5.00%

4.2 Tax Preference

(i) According to *Response Letter for the First Batch of High-tech Enterprises to be put on record in Anhui Province for 2019* (guokehuozi [2019] No.216) issued by Department of Science and Technology of Anhui province, Department of Finance of Anhui province, and Anhui Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Longrui Glass was identified as a high-tech enterprise in 2019, therefore was given *High-tech Enterprise Certificate* (Certificate Number: GR201934001625) which is valid for 3 years. According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from January 1, 2019 to December 31, 2021.

(ii) According to *Response Letter for the First Batch of High-tech Enterprises to be put on record in Anhui Province for 2019* (guokehuozi [2019] No.216) issued by Department of Science and Technology of Anhui province, Department of Finance of Anhui province, and Anhui Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Ruisiweier was identified as a high-tech enterprise in 2019, therefore was given *High-tech Enterprise Certificate* (Certificate Number: GR201934000355) which is valid for 3 years.

According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from January 1, 2019 to December 31, 2021.

(iii) According to *Response Letter for the Second Batch of High-tech Enterprises to be put on record in Hubei Province for 2018* (guokehuozi [2019] No.43) issued by Department of Science and Technology of Hubei province, Department of Finance of Hubei province, and Hubei Provincial Taxation Bureau of State Administration of Taxation, the subsidiary Yashibo was identified as a high-tech enterprise in 2018, therefore was given *High-tech Enterprise Certificate* (Certificate Number:GR201842002339) which is valid for 3 years. According to *Enterprise Income Tax Law* and other relevant regulations, the company is subject to a national high-tech enterprise income tax rate at 15% for three years from 1 January 2018 to 31 December 2020.

(iv) According to *Notice from Ministry of Finance and State Administration of Taxation on the Implementation of Inclusive Tax Reduction Policy for Small and Micro Enterprises* (Caishui [2019] No.13), from 1 January 2019 to 31 December 2021 the portion of the enterprise's annual taxable income which does not exceed CNY 1 million is reduced to 25% as taxable income, and income tax is paid at a tax rate of 20%. For the annual taxable income of more than 1 million yuan but not more than CNY 3 million, this part is reduced to 50% as taxable income, income tax is paid at the rate of 20%. The subsidiaries Gujing Hotel, Zhenrui Construction, Junlou Culture, Yellow Crane Tower Beverage, Jiaxin testing and waste company meet the condition of annual taxable income not exceeding CNY 1 million while actual tax rate in 2020 was 5%.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 December 2020	31 December 2019
Cash on hand	178,127.77	292,465.36
Cash in bank	5,936,406,199.84	5,618,712,121.81
Other monetary funds	34,628,242.05	745,330.92
Total	5,971,212,569.66	5,619,749,918.09

Note: At 31 December 2020, the structural deposits that cannot be withdrawn in advance amounted to CNY 200 million, fixed deposits used to pledge and issue bank acceptance bills totaled CNY 100 million, and security deposit used to issue bank acceptance bills in other monetary funds totaled CNY 34,308,900.00. Except for that, no other monetary funds are restricted to use or in some potential risks of recovery due to the mortgage, pledge or freezing.

5.2 Held-for-trading financial assets

Items	31 December 2020	31 December 2019
Financial Assets at Fair Value through Profit or Loss	203,877,915.51	509,031,097.02
Including: bank financial products	-	297,146,591.78
Fund investment	203,877,915.51	211,884,505.24
Total	203,877,915.51	509,031,097.02

Note: The closing balance as of 31 December 2020 has decreased CNY 305,153,200.00, mainly due to the company's financial products were withdrawn at maturity.

5.3 Notes Receivable

(a) Notes receivable by category

Items	31 December 2020			31 December 2019		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Bank acceptance bills	-	-	-	1,002,758,533.39	-	1,002,758,533.39
Commercial acceptance bills	-	-	-	1,493,836.54	34,938.37	1,458,898.17
Total	-	-	-	1,004,252,369.93	34,938.37	1,004,217,431.56

(b) Notes receivable by bad debt provision method

Category	31 December 2019				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognised collectively	1,004,252,369.93	100.00	34,938.37	0.00	1,004,217,431.56
Including: Group 1	1,493,836.54	0.15	34,938.37	2.34	1,458,898.17
Group 2	1,002,758,533.39	99.85	-	-	1,002,758,533.39
Total	1,004,252,369.93	100.00	34,938.37	0.00	1,004,217,431.56

(i) At 31 December 2020, notes receivable with provision for bad debt recognised by group 1

Name	31 December 2019		
	Notes receivable	Provision for bad debt	Provision ratio (%)
Within 1 year	1,493,836.54	34,938.37	2.34
Including: 1-6 months	993,836.54	9,938.37	1.00
7-12 months	500,000.00	25,000.00	5.00
Total	1,493,836.54	34,938.37	2.34

(ii) Notes receivable with provision for bad debt recognised by group 2

At 31 December 2019, the Company measured provision for bad debt of bank acceptance bill according to the lifetime expected credit loss. The Company believes that no significant credit risk exists in the bank acceptance bills and no significant losses arises from default risk of banks or other issuer's failure of fulfillment.

For details of recognition criteria and explanation for provision of bad debt, please refer to Notes 3.10.

(c) Changes of provision for bad debt during the reporting period

Category	31 December	Changes during the reporting period	31 December
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	2019	Provision	Recovery or reversal	Write-off	2020
Commercial acceptance bills	34,938.37	-34,938.37	-	-	-
Total	34,938.37	-34,938.37	-	-	-

(d) The company has no notes receivable write-off during the reporting period

5.4 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 December 2020	31 December 2019
Within one year	64,157,166.51	41,004,875.62
Including: 1-6 months	61,367,773.81	37,333,246.24
7-12 months	2,789,392.70	3,671,629.38
1-2 years	4,953,687.55	365,118.07
2-3 years	142,796.00	-
Over 3 years	-	141,121.87
Subtotal	69,253,650.06	41,511,115.56
Less: provision for bad debt	1,319,914.15	734,547.60
Total	67,933,735.91	40,776,567.96

(b) Accounts receivable by bad debt provision method

(i) At 31 December 2020

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	69,253,650.06	100.00	1,319,914.15	1.91	67,933,735.91

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Including: Group1	-	-	-	-	-
Group2	69,253,650.06	100.00	1,319,914.15	1.91	67,933,735.91
Total	69,253,650.06	100.00	1,319,914.15	1.91	67,933,735.91

(ii) At 31 December 2019

Category	31 December 2019				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96
Including: Group1	-	-	-	-	-
Group2	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96
Total	41,511,115.56	100.00	734,547.60	1.77	40,776,567.96

At 31 December 2020, accounts receivable with bad debt provision recognised by group 2

Aging	31 December 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	64,157,166.51	753,147.38	1.17
Including: 1-6months	61,367,773.81	613,677.74	1.00
7-12months	2,789,392.70	139,469.64	5.00
1-2 years	4,953,687.55	495,368.77	10.00
2-3 years	142,796.00	71,398.00	50.00

Aging	31 December 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Over 3 years	-	-	-
Total	69,253,650.06	1,319,914.15	1.91

For details of recognition criteria and explanation for provision for bad debt by group, please refer to Notes 3.10.

At 31 December 2019, accounts receivable with bad debt provision recognised by group 2

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	41,004,875.62	556,913.92	1.36
Including: 1-6 months	37,333,246.24	373,332.45	1.00
7-12 months	3,671,629.38	183,581.47	5.00
1-2 years	365,118.07	36,511.81	10.00
2-3 years	-	-	-
Over 3 years	141,121.87	141,121.87	100.00
Total	41,511,115.56	734,547.60	1.77

(b) Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Accounts receivable with individually insignificant balance but provision for bad debt recognised individual	-	-	-	-	-
Group2: Provision for bad debt recognized collectively	734,547.60	596,892.02	-	11,525.47	1,319,914.15
Total	734,547.60	596,892.02	-	11,525.47	1,319,914.15

(c) Top five closing balances by entity

Entity name	Balance at 31 December 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Customer 1	15,016,167.30	21.68	150,161.67
Customer 2	13,520,689.99	19.52	171,731.58
Customer 3	4,448,732.42	6.42	44,487.32
Customer 4	3,385,474.86	4.89	33,854.75
Customer 5	3,044,520.78	4.40	30,445.21
Total	39,415,585.35	56.91	430,680.53

(d) The closing balance has increased by 66.60% compared with the end of 2019, mainly due to the growth of accounts receivable of the subsidiary Gujing Yunshang.

5.5 Accounts Receivable Financing

Category	31 December 2020			31 December 2019		
	Book balance	Provision for bad debt	Carrying amount	Book balance	Provision for bad debt	Carrying amount
Bank acceptance bills	1,673,510,794.51	-	1,673,510,794.51	-	-	-
Commercial acceptance bills	-	-	-	-	-	-
Total	1,673,510,794.51	-	1,673,510,794.51	-	-	-

(a) The company's pledged notes receivable as of 31 December 2020

Items	Pledged amount
Bank acceptance bills	104,530,000.00
Total	104,530,000.00

(b) The company's notes receivable discounted or endorsed to third parties but not yet matured as of 31 December 2020

Items	Amount of derecognition	Amount of recognition
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Items	Amount of derecognition	Amount of recognition
Bank acceptance bills	943,175,713.16	-
Total	943,175,713.16	-

Note: The issuing bank of the bank acceptance bill of the Company for endorsement or discount are commercial banks with higher credit. Therefore, when the bank acceptance bills are mature, they are likely to get paid. The interest rate risk related to the bill has been transferred to the bank, so it can be judged that the main risks and rewards of the bill ownership have been transferred, so need to be derecognised.

(c) The company has no notes receivable transferred to accounts receivable due to drawers' inability of fulfillment at 31 December 2020

(d) Notes receivable by bad debt provision method

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognised collectively	1,673,510,794.51	100.00	-	-	1,673,510,794.51
Including: Group 1	-	-	-	-	-
Group 2	1,673,510,794.51	100.00	-	-	1,673,510,794.51
Total	1,673,510,794.51	100.00	-	-	1,673,510,794.51

(i) At 31 December 2020, notes receivable with provision for bad debt recognised by group
1

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Within 1 year	-	-	-
Including: 1-6 months	-	-	-
7-12 months	-	-	-

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Total	-	-	-

(ii) Notes receivable with provision for bad debt recognised by group 2

At 31 December 2020, the Company measured provision for bad debt of bank acceptance bill according to the lifetime expected credit loss. The Company believes that no significant credit risk exists in the bank acceptance bills and no significant losses arises from default risk of banks or other issuer's failure of fulfillment.

(e) Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Commercial acceptance bills	-	-	-	-	-
Total	-	-	-	-	-

5.6 Advances to Suppliers**(a) Advances to suppliers by aging**

Aging	31 December 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	55,069,897.85	99.09	196,781,962.46	99.66
1 to 2 years	505,645.36	0.91	647,771.50	0.33
2 to 3 years	-	-	-	-
Over 3 years	-	-	23,580.00	0.01
Total	55,575,543.21	100.00	197,453,313.96	100.00

(b) Top five closing balances by entity

Entity name	Balance at 31 December 2020	Proportion of the balance to the total advances to suppliers (%)
Supplier 1	21,839,825.79	39.30
Supplier 2	6,184,531.04	11.13
Supplier 3	4,511,430.66	8.12
Supplier 4	2,317,352.16	4.17
Supplier 5	1,752,019.97	3.15
Total	36,605,159.62	65.87

5.7 Other Receivables

(a) Other receivables by category

Items	31 December 2020	31 December 2019
Interest receivable	-	1,908,788.81
Dividend receivable	-	-
Other receivables	33,451,121.48	23,838,168.41
Total	33,451,121.48	25,746,957.22

(b) Interest receivable

(i) Interest receivable by category

Items	31 December 2020	31 December 2019
Interest on large-denomination certificates of deposit	-	1,908,788.81
Less: Provision for bad debt	-	-
Total	-	1,908,788.81

(c) Other Receivables

(i) Other receivables by aging

Aging	31 December 2020	31 December 2019
Within one year	31,014,800.18	21,391,891.49

Aging	31 December 2020	31 December 2019
Including:1-6months	29,186,461.60	16,704,667.12
7-12months	1,828,338.58	4,687,224.37
1-2 years	2,842,287.06	2,804,920.23
2-3 years	523,089.00	646,513.23
Over 3 years	42,535,188.41	42,087,287.44
Subtotal	76,915,364.65	66,930,612.39
Less: provision for bad debt	43,464,243.17	43,092,443.98
Total	33,451,121.48	23,838,168.41

(ii) Other receivables by nature

Nature	31 December 2020	31 December 2019
Investment in securities	40,807,394.41	40,850,949.35
Deposit and guarantee	5,266,477.91	5,343,741.34
Borrowing for business trip expenses	795,646.51	884,420.74
Rent, utilities and gasoline charges	8,962,876.17	8,479,446.65
Others	21,082,969.65	11,372,054.31
Subtotal	76,915,364.65	66,930,612.39
Less: provision for bad debt	43,464,243.17	43,092,443.98
Total	33,451,121.48	23,838,168.41

(iii) Other receivables by bad debt provision method

A. At 31 December 2020, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying account
Stage 1	36,107,970.24	2,656,848.76	33,451,121.48
Stage 2	-	-	-
Stage 3	40,807,394.41	40,807,394.41	-
Total	76,915,364.65	43,464,243.17	33,451,121.48

A1. At 31 December 2020, provision for bad debt at stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	-	-	-	-
Provision for bad debt recognised collectively	36,107,970.24	7.36	2,656,848.76	33,451,121.48
Including: Group1	-	-	-	-
Group2	36,107,970.24	7.36	2,656,848.76	33,451,121.48
Total	36,107,970.24	7.36	2,656,848.76	33,451,121.48

At 31 December 2020, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	31,014,800.18	383,281.55	1.24
Including: 1-6months	29,186,461.60	291,864.62	1.00
7-12months	1,828,338.58	91,416.93	5.00
1-2 years	2,842,287.06	284,228.71	10.00
2-3 years	523,089.00	261,544.50	50.00
Over 3 years	1,727,794.00	1,727,794.00	100.00
Total	36,107,970.24	2,656,848.76	7.36

A2. At 31 December 2020, provision for bad debt at stage 3:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	40,807,394.41	100.00	40,807,394.41	-
Provision for bad debt recognised	-	-	-	-

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
collectively				
Including: Group1	-	-	-	-
Group2	-	-	-	-
Total	40,807,394.41	100.00	40,807,394.41	-

At 31 December 2020, other receivables with provision for bad debt recognised individually

Entity name	31 December 2020			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin Securities Co., Ltd.	28,966,894.41	28,966,894.41	100.00	The enterprise enters the bankruptcy liquidation procedure
Jianqiao Securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	The enterprise enters the bankruptcy liquidation procedure
Total	40,807,394.41	40,807,394.41	100.00	

B. At 31 December 2019, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying account
Stage 1	26,079,663.04	2,241,494.63	23,838,168.41
Stage 2	-	-	-
Stage 3	40,850,949.35	40,850,949.35	-
Total	66,930,612.39	43,092,443.98	23,838,168.41

B1. At 31 December 2019, provision for bad debt at stage 1:

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	-	-	-	-
Provision for bad debt recognised collectively	26,079,663.04	8.59	2,241,494.63	23,838,168.41
Including: Group1	-	-	-	-
Group2	26,079,663.04	8.59	2,241,494.63	23,838,168.41
Total	26,079,663.04	8.59	2,241,494.63	23,838,168.41

At 31 December 2019, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	21,391,891.49	401,407.90	1.88
Including: 1-6months	16,704,667.12	167,046.67	1.00
7-12months	4,687,224.37	234,361.23	5.00
1-2 years	2,804,920.23	280,492.02	10.00
2-3 years	646,513.23	323,256.62	50.00
Over 3 years	1,236,338.09	1,236,338.09	100.00
Total	26,079,663.04	2,241,494.63	8.59

B2. At 31 December 2019, provision for bad debt at stage 3:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	40,850,949.35	100.00	40,850,949.35	-
Provision for bad debt recognised collectively	-	-	-	-

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Including: Group1	-	-	-	-
Group2	-	-	-	-
Total	40,850,949.35	100.00	40,850,949.35	-

At 31 December 2019, other receivables with provision for bad debt recognised individually

Entity name	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin Securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	The enterprise enters the bankruptcy liquidation procedure
Jianqiao Securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	The enterprise enters the bankruptcy liquidation procedure
Total	40,850,949.35	40,850,949.35	100.00	

(iv) Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised individually	40,850,949.35	-	43,554.94	-	40,807,394.41
Provision for bad debt recognised collectively	2,241,494.63	415,354.13	-	-	2,656,848.76
Total	43,092,443.98	415,354.13	43,554.94	-	43,464,243.17

(v) Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Entity 1	Securities investment	28,966,894.41	Over 3 years	37.66	28,966,894.41
Entity 2	Securities investment	11,840,500.00	Over 3 years	15.39	11,840,500.00
Entity 3	Others	6,751,537.12	Within 6 months	8.78	67,515.37
Entity 4	Others	2,000,000.00	Within 6 months	2.60	20,000.00
Entity 5	Others	928,980.82	Within 6 months	1.21	9,289.81
Total	—	50,487,912.35	—	65.64	40,904,199.59

(vi) The closing balance has increased by 40.33% compared to the end of 2019, which was mainly due to the increase in prepaid expenses.

5.8 Inventories

(a) Inventories by category

Items	31 December 2020		
	Book balance	Provision for impairment	Carrying amount
Raw materials and package materials	191,873,650.49	13,274,081.73	178,599,568.76
Semi-finished goods and work in process	2,861,343,683.53	-	2,861,343,683.53
Finished goods	387,506,042.80	10,568,486.13	376,937,556.67
Total	3,440,723,376.82	23,842,567.86	3,416,880,808.96

(Continued)

Items	31 December 2019		
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	Book balance	Provision for impairment	Carrying amount
Raw materials and package materials	177,976,566.48	14,772,001.80	163,204,564.68
Semi-finished goods and work in process	2,291,945,127.85	-	2,291,945,127.85
Finished goods	562,948,591.57	3,046,322.32	559,902,269.25
Total	3,032,870,285.90	17,818,324.12	3,015,051,961.78

(b) Provision for impairment

Items	31 December 2019	Increase during the reporting period		Decrease during the reporting period		31 December 2020
		Provision	Others	Reversal or written-down	Others	
Raw materials and package materials	14,772,001.80	3,835,130.58	-	5,333,050.65	-	13,274,081.73
Finished goods	3,046,322.32	9,347,356.90	-	1,825,193.09	-	10,568,486.13
Total	17,818,324.12	13,182,487.48	-	7,158,243.74	-	23,842,567.86

5.9 Other Current Assets

Items	31 December 2020	31 December 2019
Deductible tax	77,848,744.83	114,439,167.07
Accrued Interests on deposits	19,563,936.43	-
Total	97,412,681.26	114,439,167.07

Note: The closing balance of other current assets has decreased by 14.88%, which was mainly due to the decrease of deductible tax.

5.10 Long-term Equity Investments

Investees	31 December	Changes during the reporting period
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	2019	Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates						
Beijing Guge Trading Co., Ltd.	4,678,282.24	-	-	237,293.59	-	-
Total	4,678,282.24	-	-	237,293.59	-	-

(Continued)

Investees	Changes during the reporting period			31 December 2020	Provision for impairment
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates					
Beijing Guge Trading Co., Ltd.	-	-	-	4,915,575.83	-
Total	-	-	-	4,915,575.83	-

5.11 Investment Properties

(a) Investment properties accounted for using cost model

Items	Building and plants	Land use rights	Total
Initial cost:			
Balance at 31 December 2019	8,680,555.75	2,644,592.00	11,325,147.75
Increase during the reporting period	-	-	-
Decrease during the reporting period	-	-	-
Balance at 31 December 2020	8,680,555.75	2,644,592.00	11,325,147.75
Accumulated depreciation and amortisation:			
Balance at 31 December 2019	5,915,361.87	699,699.86	6,615,061.73

Items	Building and plants	Land use rights	Total
Increase during the reporting period	261,115.92	56,026.56	317,142.48
(i) Provision	261,115.92	56,026.56	317,142.48
Decrease during the reporting period	-	-	-
Balance at 31 December 2020	6,176,477.79	755,726.42	6,932,204.21
Provision for impairment			
Balance at 31 December 2019	-	-	-
Increase during the reporting period	-	-	-
Decrease during the reporting period	-	-	-
Balance at 31 December 2020	-	-	-
Carrying amount:			
Balance at 31 December 2020	2,504,077.96	1,888,865.58	4,392,943.54
Balance at 31 December 2019	2,765,193.88	1,944,892.14	4,710,086.02

5.12 Fixed Assets

(a) Fixed assets by category

Items	31 December 2020	31 December 2019
Fixed assets	1,797,789,271.62	1,722,572,998.79
Disposal of fixed assets	-	-
Total	1,797,789,271.62	1,722,572,998.79

(b) Fixed assets

(i) General information of fixed assets

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
Initial cost:					
Balance at 31 December 2019	2,034,543,017.61	1,002,176,887.05	60,967,511.99	170,904,070.21	3,268,591,486.86
Increase during the	84,069,717.58	169,673,678.76	5,352,313.13	38,263,511.99	297,359,221.46

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
reporting period					
(i) Acquisition	171,880.73	18,913,312.33	5,258,152.77	11,163,747.30	35,507,093.13
(ii) Transfer from construction in progress	83,897,836.85	150,760,366.43	94,160.36	27,099,764.69	261,852,128.33
Decrease during the reporting period	8,589,698.65	34,019,331.20	3,263,935.81	6,955,972.40	52,828,938.06
(i) Disposal	8,589,698.65	34,019,331.20	3,263,935.81	6,955,972.40	52,828,938.06
Balance at 31 December 2020	2,110,023,036.54	1,137,831,234.61	63,055,889.31	202,211,609.80	3,513,121,770.26
Accumulated depreciation:					
Balance at 31 December 2019	810,920,134.01	575,262,319.33	51,633,020.95	103,244,644.01	1,541,060,118.30
Increase during the reporting period	84,900,311.29	104,389,044.13	5,779,298.80	18,712,473.41	213,781,127.63
(i) Provision	84,900,311.29	104,389,044.13	5,779,298.80	18,712,473.41	213,781,127.63
Decrease during the reporting period	7,934,994.13	26,758,281.83	3,166,017.73	6,717,992.88	44,577,286.57
(i) Disposal	7,934,994.13	26,758,281.83	3,166,017.73	6,717,992.88	44,577,286.57
Balance at 31 December 2020	887,885,451.17	652,893,081.63	54,246,302.02	115,239,124.54	1,710,263,959.36
Provision for impairment:					
Balance at 31 December 2019	3,311,778.44	1,053,187.15	7,047.07	586,357.11	4,958,369.77
Increase during the reporting period	6,279.58	903,208.61	-	3,071.65	912,559.84

Items	Buildings and constructions	Machinery equipments	Vehicles	Office equipment and others	Total
(i) Provision	6,279.58	903,208.61	-	3,071.65	912,559.84
Decrease during the reporting period	513,733.16	281,975.67	-	6,681.50	802,390.33
(i) Disposal	513,733.16	281,975.67	-	6,681.50	802,390.33
Balance at 31 December 2020	2,804,324.86	1,674,420.09	7,047.07	582,747.26	5,068,539.28
Carrying amount:					
Balance at 31 December 2020	1,219,333,260.51	483,263,732.89	8,802,540.22	86,389,738.00	1,797,789,271.62
Balance at 31 December 2019	1,220,311,105.16	425,861,380.57	9,327,443.97	67,073,069.09	1,722,572,998.79

(ii) Idle fixed assets

Item	Initial cost	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Buildings and constructions	8,137,031.10	5,246,394.21	2,804,324.86	86,312.03	—
Machinery equipments	9,755,253.35	7,900,133.34	1,674,420.09	180,699.92	—
Vehicles	58,119.66	49,329.00	7,047.07	1,743.59	—
Office equipment and others	875,058.18	265,172.67	582,747.26	27,138.25	—
Total	18,825,462.29	13,461,029.22	5,068,539.28	295,893.79	—

(iii) Fixed assets without certificate of title

Items	Carrying amount	Reason
Buildings and constructions	679,361,126.29	Under processing
Total	679,361,126.29	—

(iv) There are no fixed assets with limited on use such as mortgage at the end of the

reporting period.

5.13 Construction in Progress

(a) Construction in progress by category

Items	31 December 2020	31 December 2019
Construction in progress	279,169,201.60	183,984,816.07
Construction materials	-	-
Total	279,169,201.60	183,984,816.07

(b) Construction in progress

(i) General information of construction in progress

Items	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Suizhou new plant phase I project	135,930,812.66	-	135,930,812.66	40,023,041.23	-	40,023,041.23
Smart park project	54,494,827.90	-	54,494,827.90	-	-	-
Brewing automatization technological improvement project	42,832,649.99	-	42,832,649.99	74,782,393.43	-	74,782,393.43
Liquid filling line renovation project	14,835,486.72	-	14,835,486.72	5,934,194.72	-	5,934,194.72
Gujing plant area 11# liquor warehouse	11,166,144.14	-	11,166,144.14	-	-	-
Experience center project	8,064,287.27	-	8,064,287.27	-	-	-

Gujing academy project	5,538,005.31	-	5,538,005.31	-	-	-
Furnace project (No.5)	-	-	-	43,893,912.18	-	43,893,912.18
Gujing digital marketing project	-	-	-	2,150,943.39	-	2,150,943.39
Machine installment	-	-	-	10,393,296.42	-	10,393,296.42
Renovation project of potential safety concerns	-	-	-	387,770.85	-	387,770.85
Other individual project	6,306,987.61	-	6,306,987.61	6,419,263.85	-	6,419,263.85
Total	279,169,201.60	-	279,169,201.60	183,984,816.07	-	183,984,816.07

(ii) Changes in significant projects of construction in progress

Projects	Budget (ten thousand yuan)	31 December 2019	Increase during the reporting period	Amount transferred to fixed asset	Decrease during the reporting period	31 December 2020
Suizhou new plant phase I project	26,000.00	40,023,041.23	95,907,771.43	-	-	135,930,812.66
Smart park project	828,965.74	-	54,494,827.90	-	-	54,494,827.90
Brewing automatization technological improvement project	27,430.00	74,782,393.43	96,749,693.99	128,699,437.43	-	42,832,649.99
Liquid filling line renovation project	4,000.00	5,934,194.72	9,596,504.38	695,212.38	-	14,835,486.72

Gujing plant area 11# liquor warehouse	9,000.00	-	11,166,144.14	-	-	11,166,144.14
Experience center project	3,760.00	-	16,098,427.09	-	8,034,139.82	8,064,287.27
Gujing academy project	49,900.00	-	5,538,005.31	-	-	5,538,005.31
Furnace project (No.5)	7,134.35	43,893,912.18	24,939,614.81	68,833,526.99	-	-
Gujing digital marketing project	4,190.15	2,150,943.39	8,746,785.78	-	10,897,729.17	-
Machine installment	10,834.65	10,393,296.42	8,236,912.72	15,322,520.05	3,307,689.09	-
Renovation project of potential safety concerns	18,010.76	387,770.85	166,187.58	553,958.43	-	-
Other individual projects	7,577.52	6,419,263.85	66,947,374.31	47,747,473.05	19,312,177.50	6,306,987.61
Total	996,803.17	183,984,816.07	398,588,249.44	261,852,128.33	41,551,735.58	279,169,201.60

(Continued)

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
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Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
Suizhou new plant phase I project	52.28	52.28	-	-	-	Enterprise's own fund
Smart park project	0.66	0.66	-	-	-	Enterprise's own fund
Brewing automatization technological improvement project	70.86	88.00	-	-	-	Enterprise's own fund
Liquid filling line renovation project	38.83	90.00	-	-	-	Enterprise's own fund
Gujing plant area 11# liquor warehouse	12.41	65.00	-	-	-	Enterprise's own fund
Experience center project	42.81	90.00	-	-	-	Enterprise's own fund
Gujing academy project	1.11	1.11	-	-	-	Enterprise's own fund
Furnace project (No.5)	96.48	100.00	-	-	-	Enterprise's own fund
Gujing digital marketing project	95.26	100.00	-	-	-	Enterprise's own fund
Machine installment	36.85	100.00	-	-	-	Enterprise's own fund

Projects	Proportion of project input to budgets (%)	Rate of progress	Cumulative amount of interest capitalisation	Including: interest capitalised during the reporting period	Interest capitalisation rate during the reporting period (%)	Source of funds
Renovation project of potential safety concerns	83.08	100.00				Enterprise's own fund
Other individual projects	66.92	69.00	-	-	-	Enterprise's own fund
Total	—	—	—	—	—	—

(iii) The carrying amount of construction in progress at the end of 2020 has increased by 51.73% compared to the end of 2019, which was mainly due to the increasing investment in Suizhou new plant phase I project and Smart park project.

5.14 Intangible Assets

(a) General information of intangible assets

Items	Land use rights	Software	Patents and Trademark	Total
Initial cost:				
Balance at 31 December 2019	683,451,302.56	105,085,318.08	215,006,066.19	1,003,542,686.83
Increase during the reporting period	163,292,427.79	20,121,514.49	-	183,413,942.28
(i) Acquisition	158,774,127.79	1,171,289.09	-	159,945,416.88
(ii) Transfer from construction in progress	4,518,300.00	18,950,225.40	-	23,468,525.40
Decrease during the reporting period	-	-	-	-
(i) Disposal	-	-	-	-

Items	Land use rights	Software	Patents and Trademark	Total
Balance at 31 December 2020	846,743,730.35	125,206,832.57	215,006,066.19	1,186,956,629.11
Accumulated amortisation:				
Balance at 31 December 2019	143,777,958.04	27,857,857.39	46,188,938.64	217,824,754.07
Increase during the reporting period	14,238,731.36	20,150,617.77	30,548.12	34,419,897.25
(i) Provision	14,238,731.36	20,150,617.77	30,548.12	34,419,897.25
Decrease during the reporting period	-	-	-	-
(i) Disposal	-	-	-	-
Balance at 31 December 2020	158,016,689.40	48,008,475.16	46,219,486.76	252,244,651.32
Provision for impairment:				
Balance at 31 December 2019	-	-	-	-
Increase during the reporting period	-	-	-	-
Decrease during the reporting period	-	-	-	-
Balance at 31 December 2020	-	-	-	-
Carrying amount:				
Balance at 31 December 2020	688,727,040.95	77,198,357.41	168,786,579.43	934,711,977.79
Balance at 31 December 2019	539,673,344.52	77,227,460.69	168,817,127.55	785,717,932.76

(b) No Intangible Assets used for mortgage or guarantee at 31 December 2020

(c) No Land use rights without certificate of title at 31 December 2020

5.15 Goodwill

(a) Initial recognition

Investees or matters that goodwill arising from	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020

		Business combination	Others	Disposal	Others	
Yellow Crane Tower Wine Co., Ltd.	478,283,495.29	-	-	-	-	478,283,495.29
Total	478,283,495.29	-	-	-	-	478,283,495.29

(b) Provision for impairment

Investees or matters that goodwill arising from	31 December 2019	Increase during the reporting period		Decrease during the reporting period		31 December 2020
		Provision	Others	Disposal	Others	
Yellow Crane Tower Wine Co., Ltd.	-	-	-	-	-	-
Total	-	-	-	-	-	-

(c) Information related to the CGUs or CGU groups that goodwill lies in

Investees or matters that goodwill arising from	Main components of CGU or CGUs	Book value (unit: CNY10,000)				Determination method	Whether changes during the reporting period
		Book value of CGU	Book value of goodwill to be allocated	Unconfirmed goodwill attributable to non-controlling interests	Total		
Yellow Crane Tower Wine Co., Ltd.	Operating asset of Yellow Crane Tower Wine Co., Ltd	92,276.64	47,828.35	45,952.73	186,057.72	The cash-generating unit where goodwill lies in has an active market which could generate independent cash flow, therefore taking it as an individual CGU.	no

Note: The book value of the CGU excludes surplus assets and non-operating assets and liabilities of Yellow Crane Tower Wine Co., Ltd.

(d) Process of impairment testing, parameters and determination method of

impairment loss of goodwill

Recoverable amount of cash-generating units: determined according to present value of expected future cash flow. The future cash flow is estimated based on the five-year financial budget of the CGU mentioned above approved by the management, and the perpetual cash flow after five years is determined according to the cash flow in the fifth year. The discount rate for calculating the present value is the appropriate discount rate reflecting the time value of the current market currency and the specific risk of CGU. Other key assumptions used in the cash flow forecast of the asset group include expected operating revenue, operating cost, growth rate and related expenses. The assumptions above are based on the Company's operating performance, growth rate, industry level and the management's expectation of market development in the previous year.

According to the goodwill impairment test of the Company as well as *evaluation report* (zhongshuizhiyuanpingbaozi [2020] No. 020171) issued by Zhongshuizhiyuan Asset Appraisal Co., Ltd., at the end of the period the Company did not find the recoverable amount of the cash-generating unit containing goodwill was lower than its book value, therefore we suppose no provision for impairment is required.

(e) Impact on the impairment test of goodwill

The goodwill CGU of the company has performance commitment at the time of acquisition. For details, please refer to 11. COMMITMENTS AND CONTINGENCIES 11.1 Significant Commitments (a) Performance commitment in this note. The performance commitment of the company has been completed, which has no impact on goodwill impairment test.

5.16 Long-term Deferred Expenses

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period		31 December 2020
			Amortisation	Other decrease	
Experience center	26,238,799.46	8,034,139.82	8,904,858.83	-	25,368,080.45
Pottery	1,836,642.57	-	1,836,642.57	-	0.00
Sewage treatment project	3,767,377.05	-	922,622.95	-	2,844,754.10
Yellow Crane Tower chateau and museum	11,496,948.62	-	3,559,669.90	-	7,937,278.72
Gujing party building	4,727,272.73	-	1,181,818.18	-	3,545,454.55

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period		31 December 2020
			Amortisation	Other decrease	
cultural center					
Yantai wine museum project	1,293,370.71	90,970.76	447,231.83	-	937,109.64
Other individual project with insignificant amounts	20,879,695.68	9,958,099.60	6,878,539.09	-	23,959,256.19
Totals	70,240,106.82	18,083,210.18	23,731,383.35	-	64,591,933.65

5.17 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	28,911,107.14	7,211,407.41	22,776,693.89	5,688,693.81
Provision for credit impairment	44,784,157.32	11,179,541.79	43,861,929.95	10,955,709.29
Unrealized intragroup profit	31,616,173.72	7,904,043.43	32,086,076.52	8,021,519.13
Deferred income	75,111,997.53	18,270,618.94	72,778,437.92	17,941,534.40
Deductible losses	43,272,801.87	10,777,899.23	-	-
Carry-over of payroll payables deductible during the next period	21,874,338.70	5,468,584.68	32,995,460.19	8,248,865.05
Accrued expenses and discount	144,731,955.22	36,160,326.47	158,552,891.33	39,638,222.83
Total	390,302,531.50	96,972,421.95	363,051,489.80	90,494,544.51

(b) Deferred tax liabilities before offsetting

Items	31 December 2020		31 December 2019	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Difference in accelerated depreciation of fixed assets	73,753,668.04	18,438,417.01	73,614,107.09	18,403,526.77
Assets appreciation arising from business combination not under common control	381,654,221.40	95,413,555.35	384,290,207.88	96,072,551.97
Changes in fair value of held-for-trading financial assets	3,877,915.51	969,478.88	17,585,151.48	4,396,287.87
Total	459,285,804.95	114,821,451.24	475,489,466.45	118,872,366.61

(c) Unrecognized deferred tax assets

Item	31 December 2020	31 December 2019
Deductible losses	-	8,072,655.25
Total	-	8,072,655.25

(d) Deductible losses not recognised as deferred tax assets will expire in the following periods:

Year	31 December 2020	31 December 2019	Note
2020	-	1,981,272.15	
2021	-	1,463,251.49	
2022	-	827,103.78	
2023	-	757,354.20	
2024	-	3,043,673.63	
Total	-	8,072,655.25	

5.18 Other Non-current Assets

Items	31 December 2020	31 December 2019
Prepayments for equipment and constructions	5,943,717.02	4,148,686.00
Total	5,943,717.02	4,148,686.00

5.19 Short-term Loans

Items	31 December 2020	31 December 2019
Credit Loan	70,665,500.00	-
Total	70,665,500.00	-

5.20 Notes Payable

(a) Notes payable by nature

Category	31 December 2020	31 December 2019
Bank acceptance bills	140,540,000.00	654,965,064.82
Commercial acceptance bills	74,535.60	48,714,582.04
Total	140,614,535.60	703,679,646.86

(b) At the end of the reporting period, there is no notes payable matured but not yet paid.

(c) The balance of notes payable in 2020 has increased by 80.02% compared with that at the end of 2019, which was mainly due to using bank acceptance bills to settle at the end of reporting period.

5.21 Accounts Payable

(a) Accounts payable by nature

Items	31 December 2020	31 December 2019
Payments for goods	299,936,875.62	399,583,249.41
Payments for constructions and equipment	135,720,442.04	88,412,144.22
Others	69,549,244.20	75,498,801.77
Total	505,206,561.86	563,494,195.40

(b) Significant accounts payable with aging of over one year

Items	31 December 2020	Reason
Supplier 1	2,252,093.02	Final payment
Supplier 2	881,426.49	Payment for goods
Supplier 3	769,163.75	Final payment
Supplier 4	577,691.84	Final payment
Supplier 5	393,392.70	Final payment
Total	4,873,767.80	

5.22 Advances from Customers**(a) Details of advances from customers**

Items	31 December 2020	31 December 2019
Advances for goods	-	529,863,011.73
Total	-	529,863,011.73

(b) There is no significant advances from customers with aging of over one year.

5.23 Contract Liabilities**(a) Details of contract liabilities**

Items	31 December 2020	31 December 2019
Contract Liabilities for goods	1,206,573,886.26	Not applicable
Total	1,206,573,886.26	Not applicable

(b) Amount and reasons for significant changes in book value during the reporting period

There was no significant change in the book value of the Company's contract liabilities during the reporting period.

5.24 Employee Benefits Payable**(a) Details of employee benefits payable**

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Short-term employee benefit	453,674,655.69	2,363,049,307.93	2,320,250,382.05	496,473,581.57
Post-employment benefits-defined contribution plans	514,877.20	60,266,905.72	59,126,249.73	1,655,533.19
Termination benefits	-	-	-	-
Other benefits due within one year	-	-	-	-
Total	454,189,532.89	2,423,316,213.65	2,379,376,631.78	498,129,114.76

(b) Short-term employee benefits

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Salaries, bonuses, allowances and subsidies	357,387,670.42	2,090,140,641.18	2,029,493,497.91	418,034,813.69
Employee benefits	45,069.27	82,624,263.42	82,669,332.69	-
Social insurance	607,379.61	35,147,423.07	35,268,783.10	486,019.58
Including: Health Insurance	601,649.18	34,354,234.26	34,469,863.86	486,019.58
Injury insurance	5,730.43	793,188.81	798,919.24	-
Housing accumulation fund	4,465,854.45	69,843,126.65	69,966,359.78	4,342,621.32
Labour union funds and employee education funds	73,606,168.29	23,586,101.67	26,379,958.66	70,812,311.30
Enterprise annuity	17,562,513.65	61,707,751.94	76,472,449.91	2,797,815.68
Total	453,674,655.69	2,363,049,307.93	2,320,250,382.05	496,473,581.57

(c) Defined contribution plans

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
1. Basic endowment insurance	509,340.98	58,003,536.93	56,857,344.72	1,655,533.19

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
2. Unemployment insurance	5,536.22	2,263,368.79	2,268,905.01	-
Total	514,877.20	60,266,905.72	59,126,249.73	1,655,533.19

5.25 Taxes Payable

Items	31 December 2020	31 December 2019
Value added tax (VAT)	93,836,793.23	16,929,480.44
Consumption tax	144,069,975.35	347,582,441.49
Enterprise income tax	78,334,425.91	94,038,327.53
Individual income tax	2,966,503.37	1,173,190.21
Urban maintenance and construction tax	12,449,531.95	9,328,392.65
Stamp duty	909,983.20	1,058,588.17
Educational surcharge	11,829,108.81	7,991,963.70
Others	4,746,370.28	4,800,725.40
Total	349,142,692.10	482,903,109.59

5.26 Other Payables

(a) Other payables by category

Items	31 December 2020	31 December 2019
Interest payable	-	-
Dividend payable	-	-
Other payables	1,396,599,161.14	1,315,878,229.01
Total	1,396,599,161.14	1,315,878,229.01

(b) Other payables

(i) Other payables by nature

Items	31 December 2020	31 December 2019
Security deposit and guarantee	1,280,042,883.26	1,206,935,123.77

Items	31 December 2020	31 December 2019
Warranty	41,210,694.26	42,966,560.82
Personal housing fund paid by company	4,342,621.32	4,465,854.45
Others	71,002,962.30	61,510,689.97
Total	1,396,599,161.14	1,315,878,229.01

(ii) Significant other payables with aging of over one year

Other payables balance with aging of over one year are mainly security deposit and warranty not yet matured.

5.27 Other Current Liabilities

Items	31 December 2020	31 December 2019
Accrued expenses	164,008,324.26	197,484,121.41
The VAT tax liability has not yet occurred and needs to be recognized as the value-added tax of the output tax in the subsequent periods	156,784,058.77	-
Total	320,792,383.03	197,484,121.41

5.28 Long-term Loan

Items	31 December 2020	31 December 2019
Credit Loan	60,000,000.00	-
Accrued interest	117,638.89	-
Total	60,117,638.89	-

5.29 Deferred Income**(a) General information of deferred income**

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020	Reason
Government grants	72,778,437.92	7,882,000.00	5,548,440.39	75,111,997.53	Grants received from government
Total	72,778,437.92	7,882,000.00	5,548,440.39	75,111,997.53	

(b) Items related to government grants

Items	31 December 2019	Increase during the reporting period	Recognised in other income during the reporting period	Other changes	31 December 2020	Related to assets/Related to income
Subsidy for Suizhou new factory infrastructure	35,338,000.00	-	0.00	-	35,338,000.00	Related to asset
Refund of Land payment	22,562,827.93	-	530,641.33	-	22,032,186.60	Related to asset
Funds for strategic emerging industry agglomeration development base	798,080.00	2,000,000.00	422,719.98	-	2,375,360.02	Related to asset
Comprehensive subsidy fund for air pollution prevention and control	2,345,083.29	300,000.00	265,613.82	-	2,379,469.47	Related to asset
Instrument subsidy	1,550,437.50	286,000.00	155,259.30	-	1,681,178.20	Related to asset
Subsidy funds for strong manufacturing province and private economy development projects in 2019	-	1,870,000.00	311,162.31	-	1,558,837.69	Related to asset
Anhui province subsidy of innovative province construction capacity for independent innovation	1,948,120.00	-	730,545.00	-	1,217,575.00	Related to asset
Funds for research projects of koji-making Technology	1,000,000.00	130,000.00	-	-	1,130,000.00	Related to asset

Subsidy for technical transformation of No.2 boiler	-	1,000,000.00	18,518.52	-	981,481.48	Related to asset
Equipment subsidy	1,068,028.16	16,000.00	288,116.33	-	795,911.83	Related to asset
Gujing Zhangji wine cellar optimization and reconstruction project	835,208.43	-	47,499.96	-	787,708.47	Related to asset
Subsidy for key technical cooperation project on the authenticity of important food isotopes	600,000.00	-	-	-	600,000.00	Related to asset
Subsidy for food safety improvement project	689,655.25	-	137,931.00	-	551,724.25	Related to asset
Anhui province development of direct funds of service industry	795,122.12	-	292,682.88	-	502,439.24	Related to asset
Specific funds for side management of power demand	516,000.00	-	144,000.00	-	372,000.00	Related to asset
Automation of check and storage, on-line monitoring of product quality	265,625.00	-	93,750.00	-	171,875.00	Related to asset
Motor and boiler energy-saving technical transformation project	275,000.24	-	137,499.96	-	137,500.28	Related to asset
Wine production system technical transformation	192,708.47	2,280,000.00	62,499.96	-	2,410,208.51	Related to asset
Intelligent solid brewing technology innovation project	119,791.53	-	31,250.04	-	88,541.49	Related to asset
Enterprise development	22,500.00	-	22,500.00	-	-	Related to

funds						asset
Internet traceability system project	1,856,250.00	-	1,856,250.00	-	-	Related to asset
Total	72,778,437.92	7,882,000.00	5,548,440.39	-	75,111,997.53	—

5.30 Share Capital

Item	31 December 2019	Changes during the reporting period (+,-)					31 December 2020
		New issues	Bonus issues	Capitalisation of reserves	Others	Subtotal	
Number of total shares	503,600,000.00	-	-	-	-	-	503,600,000.00

5.31 Capital Reserves

Items	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Capital premium (share premium)	1,262,552,456.05	-	-	1,262,552,456.05
Other capital reserves	32,853,136.20	-	-	32,853,136.20
Total	1,295,405,592.25	-	-	1,295,405,592.25

5.32 Surplus Reserves

Item	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020
Statutory surplus reserves	256,902,260.27	-	-	256,902,260.27
Total	256,902,260.27	-	-	256,902,260.27

Note: Pursuant to the Company Law of the People's Republic of China and Articles of Association, the Company appropriates 10% of net profit to the statutory surplus reserves. If the cumulative amount of the statutory surplus reserve is more than 50% of the registered capital of the company, it can be not appropriated any more.

5.33 Retained Earnings

Items	2020	2019
Balance at the end of last period before adjustments	6,888,203,911.92	5,541,281,341.47
Adjustments for the opening balance (increase /(decrease))	-	4,794,830.59
Balance at the beginning of the reporting period after adjustments	6,888,203,911.92	5,546,076,172.06
Add: net profit attributable to owners of the parent company for the reporting period	1,854,576,249.29	2,097,527,739.86
Payment of ordinary share dividends	755,400,000.00	755,400,000.00
Balance at the end of the reporting period	7,987,380,161.21	6,888,203,911.92

5.34 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Cost of Sales	Revenue	Cost of Sales
Principal activities	10,236,883,038.46	2,522,906,977.56	10,359,521,016.94	2,389,208,627.75
Other activities	55,181,495.95	26,907,967.20	57,440,567.29	36,838,297.14
Total	10,292,064,534.41	2,549,814,944.76	10,416,961,584.23	2,426,046,924.89

5.35 Taxes and Surcharges

Items	2020	2019
Consumption tax	1,343,748,348.14	1,310,755,555.59
Urban maintenance and construction tax and educational surcharge	231,441,505.09	239,699,123.64
Land use tax	13,696,863.78	9,702,285.09
Property tax	17,123,738.65	11,812,243.00
Stamp duty	8,853,581.53	9,282,035.09
Others	10,425,132.36	11,654,311.63
Total	1,625,289,169.55	1,592,905,554.04

5.36 Selling and Distribution Expenses

Items	2020	2019
Employment benefits	723,874,977.05	539,175,110.66
Travel fees	133,511,390.56	133,377,266.84
Advertisement fees	840,407,171.96	876,445,646.88
Transportation charges	-	52,250,930.23
Comprehensive promotion costs	755,941,972.88	969,501,572.71
Service fees	578,401,082.92	516,683,260.54
Others	88,840,567.95	97,460,433.24
Total	3,120,977,163.32	3,184,894,221.10

5.37 General and Administrative Expenses

Items	2020	2019
Employment benefits	507,634,459.19	418,480,165.12
Office fees	60,807,905.04	45,087,603.23
Maintenance expenses	46,267,736.17	44,265,385.52
Depreciation	67,142,270.79	65,103,145.01
Amortization of intangible assets	31,267,096.32	29,074,836.91
Pollution discharge	17,742,036.94	18,771,523.15
Travel expenses	10,324,813.18	7,637,602.20
Water and electricity charges	7,613,501.49	11,057,588.66
Others	53,401,761.36	45,802,696.65
Total	802,201,580.48	685,280,546.45

5.38 Research and Development Expenses

Items	2020	2019
Labour cost	24,471,993.23	20,441,413.41
Direct input costs	3,988,348.08	3,975,855.83
Depreciation	3,084,671.65	3,474,875.34
Others	9,045,123.50	14,480,872.75

Items	2020	2019
Total	40,590,136.46	42,373,017.33

5.39 Finance Costs

Items	2020	2019
Interest expenses	876,815.80	33,652,843.25
Less: Interest income	261,861,342.00	133,813,626.35
Net interest expenses	-260,984,526.20	-100,160,783.10
Net foreign exchange losses	51,764.56	1,594,072.93
Bank charges and others	96,305.57	940,906.66
Total	-260,836,456.07	-97,625,803.51

Note: Finance cost in 2020 has decreased by 167.18 % compared with that in 2019, mainly due to the increase of interest income.

5.40 Other Income

Items	2020	2019	Related to assets /income
1. Government grant recognised in other income			
Including: Government grant related to deferred income (related to assets)	5,548,440.39	4,833,862.63	Related to assets
Government grant directly recognised in current profit or loss (related to income)	41,926,091.80	93,410,607.69	Related to income
Total	47,474,532.19	98,244,470.32	

Note: Other income in 2020 has increased by 51.68% compared to 2019, which was mainly due to the substantial decrease in the subsidy received for job stabilization in this period compared with the previous period.

5.41 Investment Income

Items	2020	2019
Investment income from long-term equity investments under equity method	237,293.59	-221,717.76

Items	2020	2019
Gains on disposal of financial assets at fair value through profit or loss	-	-
Investment income from held-to-maturity investments during holding period	-	-
Investment income from available-for-sale financial assets during holding period	-	-
Gains on disposal of financial assets measured at fair value and changes are included into other comprehensive income	-34,923,074.38	-
Investment income from held-for-trading financial assets during holding period	41,473,224.56	126,649,168.04
Others	-	-
Total	6,787,443.77	126,427,450.28

Note: Investment income in 2020 decreased by 94.63% compared with 2019, mainly due to the recovery of financial assets held by the company during the current period.

5.42 Gains on Changes in Fair Values

Sources of gains on changes in fair value	2020	2019
Held-for-trading financial assets		
Including: Changes in fair value of designated as held-for-trading financial assets	-19,983,181.51	17,585,151.48
Total	-19,983,181.51	17,585,151.48

Note: The gains from changes in fair value in 2020 decreased by 213.64% compared to 2019, which was mainly due to the fact that the current distribution income of trading financial assets held by the company was included in investment income, resulting in a decrease in fair value.

5.43 Impairment Loss of Credit

Items	2020	2019
Bad debt of notes receivable	34,938.37	-34,938.37
Bad debt of accounts receivable	-596,892.02	-175,624.33

Items	2020	2019
Bad debt of other receivables	-371,799.19	-722,167.14
Total	-933,752.84	-932,729.84

5.44 Impairment Loss of Assets

Items	2020	2019
Impairment of inventories	-13,182,487.48	-1,078,980.44
Impairment of fixed assets	-912,559.84	-138,765.07
Total	-14,095,047.32	-1,217,745.51

5.45 Gains/ (losses) from Disposal of Assets

Items	2020	2019
Gains/(losses) from disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale	1,223,536.53	252,518.68
Including: Fixed assets	1,223,536.53	252,518.68
Total	1,223,536.53	252,518.68

5.46 Non-operating Income

(a) Details of non-operating income

Items	2020	2019	Recognized in current extraordinary gains and losses
Gains from damage or scrapping of non-current asset	178.25	277,478.76	178.25
Government grants irrelevant to daily operation activities	150,000.00	48,707.00	150,000.00
Income from penalties and compensation	34,815,119.51	26,507,159.08	34,815,119.51
Sales of wastes	5,743,313.19	3,575,405.84	5,743,313.19
Accounts payable no need to pay	23,936,972.51	19,614,848.78	23,936,972.51

Items	2020	2019	Recognized in current extraordinary gains and losses
back			
Others	1,951,704.61	7,782,396.91	1,951,704.61
Total	66,597,288.07	57,805,996.37	66,597,288.07

(b) Government grants irrelevant to daily operation activities

Grant program	2020	2019	Related to assets /income
Other incentives	150,000.00	48,707.00	Related to income
Total	150,000.00	48,707.00	-

5.47 Non-operating Expenses

Items	2020	2019	Recognized in current extraordinary gains and losses
Loss from damage or scrapping of non-current assets	4,916,354.87	6,966,429.07	4,916,354.87
Contributions	21,405,652.43	-	21,405,652.43
Others	940,840.78	1,444,027.58	940,840.78
Total	27,262,848.08	8,410,456.65	27,262,848.08

5.48 Income Tax Expenses**(a) Details of income tax expenses**

Items	2020	2019
Current tax expenses	636,476,576.50	702,843,706.67
Deferred tax expenses	-10,528,792.81	12,193,478.05
Total	625,947,783.69	715,037,184.72

(b) Reconciliation of accounting profit and income tax expenses

Items	2020
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Profit before tax	2,473,835,966.72
Income tax expense at the statutory /applicable tax rate	618,458,991.68
Effect of different tax rate of subsidiaries	-9,877,887.12
Adjustments of impact from prior period income tax	-1,273,870.24
Effect of income that is exempt from taxation	-188,962.63
Effect of non-deductible costs, expenses or losses	26,346,654.75
Effect of previously unrecognized deductible losses recognised as deferred tax assets	-
Effect of deductible temporary differences and deductible losses not recognised as deferred tax assets	-
R&D expenses plus deduction	-6,917,142.75
Tax rate adjustment to the beginning balance of deferred income tax assets/liabilities	-
Income tax credits	-600,000.00
Total	625,947,783.69

5.49 Notes to the Statement of Cash Flow

(a) Other cash received relating to operating activities

Items	2020	2019
Security deposit, guarantee and warrenty	71,271,892.53	171,148,971.50
Government grants	42,815,381.22	84,936,396.19
Interest income	244,206,194.38	156,828,015.62
Release of restricted monetary funds	2,675,000,000.00	870,200,000.00
Others	70,984,823.65	40,619,933.12
Total	3,104,278,291.78	1,323,733,316.43

(b) Other cash payments relating to operating activities

Items	2020	2019
Cash paid in sales and distribution expenses and general and administrative	1,947,222,615.61	2,255,773,662.59

Items	2020	2019
expense		
Security deposit, guarantee and warrenty	7,848,981.62	594,283.56
Time deposits or deposits pledged for the issuance of notes payable	134,308,875.92	312,000,000.00
Structured time deposits that cannot be withdrawn in advance	200,000,000.00	2,363,000,000.00
Others	88,165,064.00	27,764,520.81
Total	2,377,545,537.15	4,959,132,466.96

5.50 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2020	2019
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	1,847,888,183.03	2,157,804,594.34
Add: Provisions for impairment of assets	15,028,800.16	2,150,475.35
Depreciation of fixed assets, Investment Properties, oil and gas asset and productive biological assets	214,098,270.11	206,165,530.04
Amortisation of intangible assets	34,419,897.25	29,374,836.96
Amortisation of long-term deferred expenses	23,731,383.35	27,376,736.70
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	-1,223,536.53	-252,518.68
Losses /(gains) on changes in fair value	4,916,176.62	6,688,950.31
Finance costs /(income)	19,983,181.51	-17,585,151.48
Investment losses /(income)	928,580.36	35,246,916.18
Decreases /(increases) in deferred tax assets	-6,787,443.77	-126,427,450.28
Increases /(decreases) in deferred tax liabilities	-6,477,877.44	-3,914,373.45
Decreases /(increases) in inventories	-4,050,915.37	16,107,851.50
Decreases /(increases) in operating receivables	-415,011,334.66	-608,824,277.36

Supplementary information	2020	2019
Losses /(gains) on changes in fair value	-548,002,635.36	258,842,362.46
Increases /(decreases) in operating payables	104,411,672.19	14,492,580.86
Others*	2,340,691,124.08	-1,804,800,000.00
Net cash flows from operating activities	3,624,543,525.53	192,447,063.45
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible corporate bonds maturing within one year	-	-
Fixed assets acquired under finance leases	-	-
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	5,636,903,693.74	2,944,749,918.09
Less: Cash at the beginning of the reporting period	2,944,749,918.09	835,560,865.12
Add: Cash equivalents at the end of the reporting period	-	-
Less: Cash equivalents at the beginning of the reporting period	-	-
Net increase in cash and cash equivalents	2,692,153,775.65	2,109,189,052.97

* "Others" refer to impact of restricted funds on net cash flow generated from operating activities of the reporting period.

(b) Other cash received relating to operating activities

Items	31 December 2020	31 December 2019
(i) Cash	5,636,903,693.74	2,944,749,918.09
Including: Cash on hand	178,127.77	292,465.36
Cash in bank available for immediate use	5,636,406,199.84	2,943,712,121.81
Other monetary funds available for immediate use	319,366.13	745,330.92
(ii) Cash equivalents	-	-
Including: Bond investments maturing within three months	-	-
(iii) Cash and cash equivalents at the end of the reporting period	5,636,903,693.74	2,944,749,918.09
Including: Restricted cash and cash equivalents of the parent company and the subsidiaries of the group	-	-

5.51 Restricted Assets

Items	Carrying amount at 31 December 2020	Reason
Cash and cash equivalents	334,308,875.92	Structured deposit which cannot be withdrawn in advance as well as time deposits and guarantee pledged for issuance of bank acceptance bills
Accounts receivable financing	104,530,000.00	Pledged for issuance of bank acceptance bills
Total	438,838,875.92	—

5.52 Government Grants**(a) Government grants related to assets**

Items	Amount	Items presented in the statement of financial position	Recognised in current profit or loss or directly as deduct of related cost		Presented items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
Suizhou new plant infrastructure subsidy	35,338,000.00	Deferred income	-	-	Other income
Refund for land payment	22,032,186.60	Deferred income	530,641.33	550,206.18	Other income
Funds for strategic emerging industry agglomeration development base	2,375,360.02	Deferred income	422,719.98	222,720.00	Other income
Comprehensive subsidy fund for air pollution prevention and control	2,379,469.47	Deferred income	265,613.82	263,000.04	Other income

Equipment subsidy	1,681,178.20	Deferred income	155,259.30	284,812.50	Other income
Subsidy funds for strong manufacturing province and private economy development projects in 2019	1,558,837.69	Deferred income	311,162.31	-	Other income
Subsidy for the construction of independent innovation capacity of Anhui Province	1,217,575.00	Deferred income	730,545.00	730,545.00	Other income
Research funds of intelligent koji making technology	1,130,000.00	Deferred income	-	-	Other income
Subsidy for technical transformation of No.2 boiler	981,481.48	Deferred income	18,518.52	-	Other income
Equipment subsidy	795,911.83	Deferred income	288,116.33	203,034.21	Other income
Optimization and reconstruction project of Gujing Zhangji liquor store	787,708.47	Deferred income	47,499.96	47,499.96	Other income
Subsidy for key technology cooperation project of important food isotope authenticity	600,000.00	Deferred income	-	-	Other income
Subsidy for food safety improvement project	551,724.25	Deferred income	137,931.00	137,931.00	Other income
Anhui province development of direct	502,439.24	Deferred income	292,682.88	292,682.88	Other income

funds of service industry					
Specific funds for side management of power demand	372,000.00	Deferred income	144,000.00	144,000.00	Other income
Whole process online monitoring of hook and store automation and product quality	171,875.00	Deferred income	93,750.00	93,750.00	Other income
Electric motor and boiler energy saving technology transformation project	137,500.28	Deferred income	137,499.96	137,499.96	Other income
Wine production system technical transformation	2,410,208.51	Deferred income	62,499.96	62,499.96	Other income
Intelligent solid brewing technology innovation project	88,541.49	Deferred income	31,250.04	31,250.04	Other income
Enterprise development funds	-	Deferred income	22,500.00	30,000.00	Other income
Internet of things traceability system project	-	Deferred income	1,856,250.00	1,113,750.00	Other income
Energy efficiency renovation project for coal industrial boiler and glass furnace	-	Deferred income	-	12,750.00	Other income
Bozhou logistics center project	-	Deferred income	-	60,000.00	Other income
Finance subsidy for technical reconstruction	-	Deferred income	-	415,930.90	Other income
Total	75,111,997.53	-	5,548,440.39	4,833,862.63	—

(b) Government grants related to income

Items	Amount	Items presented in	Recognised in current profit or loss	Presented
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		the statement of financial position	or directly as deduct of related cost		items that recognised in current profit or loss or directly as deduct of related cost
			2020	2019	
Tax refund	7,142,710.58	Other income	7,142,710.58	34,825,848.70	Other income
2020 Manufacturing Power Province Construction Fund	5,160,000.00	Other income	5,160,000.00	-	Other income
Special funds to support the construction of emerging industrial cities in 2020	4,600,000.00	Other income	4,600,000.00	-	Other income
Financial support from the Treasury Collection and Payment Center in Hanyang District, Wuhan City	2,364,000.00	Other income	2,364,000.00	-	Other income
Unemployment insurance premium refund	2,280,389.84	Other income	2,280,389.84	-	Other income
Wuhan Municipal Administration of Culture and Tourism, Wuhan A-level tourist attractions free of ticket subsidies	2,220,000.00	Other income	2,220,000.00	-	Other income
Hubei University of Science and Technology Industrialization Funds	2,180,000.00	Other income	2,180,000.00	-	Other income

Subsidies for air pollution prevention and control from the Environmental Protection Agency	1,000,000.00	Other income	1,000,000.00	-	Other income
Standardization award from Market Supervision and Administration Bureau	900,000.00	Other income	900,000.00	-	Other income
Bozhou Treasury Center Trademark Award	895,000.00	Other income	895,000.00	-	Other income
Energy saving and environmental protection industry fund	-	Other income	-	500,000.00	Other income
Bonus of Bozhou science and technology bureau	-	Other income	-	800,000.00	Other income
Incentive payment for manufacturer's subsidiary separation of national development and Reform Commission	-	Other income	-	500,000.00	Other income
2019 strong industrial cities special fund for developing private economy	-	Other income	-	750,000.00	Other income
Unemployment insurance funds and stabilization allowance	-	Other income	-	39,641,870.00	Other income
Standardization work of Bozhou market	-	Other income	-	450,000.00	Other income

supervision administration in 2018					
Subsidy for robot project	-	Other income	-	300,000.00	Other income
Subsidy from Social Security Bureau	-	Other income	-	3,750,000.00	Other income
Project funds from Bozhou economic and Information Bureau	-	Other income	-	1,100,000.00	Other income
2018 patent project award	-	Other income	-	400,000.00	Other income
National intellectual property demonstration enterprise award	-	Other income	-	1,200,000.00	Other income
Subsidy from Bozhou Market Supervision Administration	-	Other income	-	559,000.00	Other income
Others	13,183,991.38	Other income	13,183,991.38	8,633,888.99	Other income
Other not related to daily operation	150,000.00	Non operating income	150,000.00	48,707.00	Non operating income
Discounted loans	992,947.18	Finance expense	992,947.18		Finance expense
Total	43,069,038.98	—	43,069,038.98	93,459,314.69	—

6. CHANGES OF THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

6.1. Other Reasons of Changes in the Scope of Consolidation

Compared with the previous period, the Company added subsidiaries Hubei Xinjia Testing Technology Co., Ltd. and Anhui Jiudao Culture Media Co., Ltd., and cancelled a subsidiary Anhui Baiweilu Liquor Co., Ltd.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Composition of corporate group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests held by the Company (%)		Method of acquisition
				Direct	Indirect	
Bozhou Gujing Sales Co., Ltd. (hereafter Gujing Sales)	Anhui Bozhou	Anhui Bozhou	Commercial trade	100.00	—	Investment establishment
Anhui Longrui Glass Co., Ltd (hereafter Longrui Glass)	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00	—	Investment establishment
Bozhou Gujing Waste Reclamation Co., Ltd. (hereafter Gujing Waste)	Anhui Bozhou	Anhui Bozhou	Waste recycle	100.00	—	Investment establishment
Anhui Jinyunlai Culture & Media Co., Ltd. (hereafter Jinyunlai)	Anhui Hefei	Anhui Hefei	Advertisement marketing	100.00	—	Investment establishment
Anhui Ruisiweier Technology Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Technical research	100.00	—	Investment establishment
Shanghai Gujing Jinhao hotel management company	Shanghai	Shanghai	Hotel management	100.00	—	Business combination under common control
Bozhou Gujing Hotel Co., Ltd	Anhui Bozhou	Anhui Bozhou	Hotel operating	100.00	—	Business combination under common control
Anhui Yuanqing Environmental Protection Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Sewage treatment	100.00	—	Investment establishment
Anhui Gujing Yunshang	Anhui Hefei	Anhui Hefei	Electronic	100.00	—	Investment

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests held by the Company (%)		Method of acquisition
				Direct	Indirect	
Electronic Commerce Co., Ltd			commerce			establishment
Anhui Zhenrui Construction Engineering Co., Ltd	Anhui Bozhou	Anhui Bozhou	Construction	100.00	—	Investment establishment
Anhui Runanxinke Testing Technology Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Food testing	100.00	—	Investment establishment
Anhui Jiudao Culture Media Co., Ltd.	Anhui Hefei	Anhui Hefei	Advertisement marketing	100.00	—	Investment establishment
Yellow Crane Tower Wine Co., Ltd	Hubei Wuhan	Hubei Wuhan	Manufacture	51.00		Business combination not under common control
Yellow Crane Tower Wine (Xianning) Co., Ltd	Hubei Xianning	Hubei Xianning	Manufacture	—	51.00	Business combination not under common control
Yellow Crane Tower Wine (Suizhou) Co., Ltd	Hubei Suizhou	Hubei Suizhou	Manufacture	—	51.00	Business combination not under common control
Hubei Junlou Cultural Tourism Co., Ltd.	Hubei Wuhan	Hubei Wuhan	Advertising marketing	—	51.00	Business combination not under common control
Hubei Yellow Crane Tower Beverage Co., Ltd	Hubei Xianning	Hubei Xianning	Manufacture	—	51.00	Investment establishment
Wuhan Yashibo Technology	Hubei	Hubei	Technology	—	51.00	Investment

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests held by the Company (%)		Method of acquisition
				Direct	Indirect	
Co., Ltd.	Wuhan	Wuhan	development			establishment
Hubei Xinjia Testing Technology Co., Ltd.	Hubei Xianning	Hubei Xianning	Food testing	—	51.00	Investment establishment
Wuhan Tianlong Jindi Technology Development Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade	—	51.00	Business combination not under common control
Xianning Junhe Sales Co., Ltd	Hubei Xianning	Hubei Xianning	Commercial trade	—	51.00	Business combination not under common control
Wuhan Junya Sales Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade	—	51.00	Investment establishment
Suizhou Junhe Commercial Co., Ltd.	Hubei Suizhou	Hubei Suizhou	Commercial trade	—	51.00	Investment establishment

(b) Significant non-wholly owned subsidiaries

Name of subsidiary	Proportion of ownership interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends declared to distribute to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Yellow Crane Tower Wine Co., Ltd	49.00	-6,688,066.26	75,792,108.39	405,562,772.65

(c) Main financial information of significant non-wholly owned subsidiaries

Name of	31 December 2020
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subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yellow Crane Tower Wine Co., Ltd	633,542,317.24	868,332,173.16	1,501,874,490.40	482,603,067.57	191,592,294.97	674,195,362.54

(Continued)

Name of subsidiary	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yellow Crane Tower Wine Co., Ltd	755,439,438.85	742,229,246.05	1,497,668,684.90	369,369,757.38	132,292,912.62	501,662,670.00

(Continued)

Name of subsidiary	2020			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Yellow Crane Tower Wine Co., Ltd	516,045,801.88	-13,649,114.81	-13,649,114.81	-22,001,852.09

(Continued)

Name of subsidiary	2019			
	Revenue	Net profit/(loss)	Total comprehensive income	Net cash flows from operating activities
Yellow Crane Tower Wine Co., Ltd	1,153,666,330.72	123,013,988.73	123,013,988.73	78,635,264.01

7.2 Interests in Joint Arrangements or Associates

The Company has no significant joint arrangements or associates.

8. RISKS RELATED TO FINANCIAL INSTRUMENTS

Risks related to the financial instruments of the Company arise from the recognition of various financial assets and financial liabilities during its operation, including credit risk, liquidity risk and market risk.

Management of the Company is responsible for determining risk management objectives and policies related to financial instruments. Operational management is responsible for the daily risk management through functional departments. Internal audit department is responsible for the daily supervision of implementation of the risk management policies and procedures, and report their findings to the audit committee in a timely manner.

Overall risk management objective of the Company is to establish risk management policies to minimize the risks without unduly affecting the competitiveness and resilience of the Company.

8.1 Credit Risk

Credit risk is the risk of one party of the financial instrument face to a financial loss because the other party of the financial instrument fails to fulfill its obligation. The credit risk of the Company is related to cash and equivalent, notes receivable, accounts receivables, other receivables, and long-term receivables. Credit risk of these financial assets is derived from the counterparty's breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Cash and cash equivalent of the Company has lower credit risk, as they are mainly deposited in such financial institutions as commercial bank, of which the Company thinks with higher reputation and financial position. Notes receivable held by the Company are mainly bank acceptance bills, which have strong liquidity. The Company has formulated corresponding bill management and control procedures and has been effectively implemented, which greatly ensures the safety of bill storage and use to ensure the low credit risks. The Company only conducts business with customers with good credit rating, and will continue to monitor the balance of accounts receivable to ensure that the Company avoids the risk of major bad debt losses. The company's largest credit risk exposure is the book value of each financial asset (including derivative financial instruments) in the balance sheet, and the overall credit risk evaluation is low.

8.2 Liquidity Risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all of its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as to ensure to maintain adequate cash and cash equivalents.

8.3 Market Risk

The market risk of financial instruments refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks mainly include foreign exchange risk and interest rate risk.

(a) Foreign currency risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The core business of the Company is on the mainland of China and trading with CNY. Foreign exchange risk risk is minimal.

(b) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly comes from long-term and short-term bank borrowings. As of 31 December, 2020, the Company has no liabilities calculated with floating interest rates.

(c) Other price risk

The Held-for-trading financial assets of the Company is measured by fair value. As a result of that, the Company bears the risk of the change of security market. To decrease the risk, the management decided that the Company held a combination of several equities and securities.

9. FAIR VALUE DISCLOSURES

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified:

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.

Level 3: Inputs are unobservable inputs for the assets or liabilities

9.1 Assets and Liabilities Measured at Fair Value at 31 December 2020

Items	Fair value at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Held-for-trading financial assets				
(i) Financial assets at fair value through profit or loss	-	203,877,915.51	-	203,877,915.51
Debt instruments	-	-	-	-
Bank financial products	-	-	-	-
Fund investment	-	203,877,915.51	-	203,877,915.51
(ii) Financial assets measured at fair value through other comprehensive income	-	-	1,673,510,794.51	1,673,510,794.51
Accounts receivable financing	-	-	1,673,510,794.51	1,673,510,794.51
Total assets measured at fair value on a recurring basis	-	203,877,915.51	1,673,510,794.51	1,877,388,710.02

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The fair value of financial instruments not traded in an active market is determined by using valuation techniques. Specific valuation techniques used to value the above financial instruments include discounted cash flow and market approach to comparable company model. Inputs in the valuation technique include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, discount for lack of liquidity.

9.2 Valuation Technique(s), Qualitative and Quantitative Information about the Significant Inputs Used for Fair Value Measurement in Level 2 on a Recurring or Nonrecurring Basis

The items of fair value measurement in Level 2 of the Company are mainly about fund investments. For fund investment, the Company shall determine the gains or losses arising from changes in fair

value and the value of held-for-trading financial assets according to the valuation table of securities investment fund provided by asset management company.

9.3 Valuation Technique(s), Qualitative and Quantitative Information about the Significant Inputs Used for Fair Value Measurement in Level 3 on a Recurring or Nonrecurring Basis

The items of fair value measurement in Level 2 of the Company are mainly about received notes. Since the maturity of the received notes is mostly shorter than one year, and the cash is expected to be recovered at the denomination when due, we determine its fair value based on the denomination.

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Recognition of related parties: The Company has control or joint control of, or exercise significant influence over another party; or the Company is controlled or jointly controlled, or significant influenced by another party.

10.1 General Information of the Parent Company

Name of the parent	Registered address	Nature of the business	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
AnhuiGujing Group Co., Ltd.	Anhui Bozhou	Beverage, construction material, plastic product manufacturing	1,000,000,000.00	53.89	53.89

Note: The ultimate controlling party: the ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the Government of Bozhou City, Anhui Province.

10.2 General Information of Subsidiaries

Details of the subsidiaries please refer to Notes 7 *INTERESTS IN OTHER ENTITIES*.

10.3 Joint Ventures and Associates of the Company

(a) General information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to Notes 7 *INTERESTS IN*

*OTHER ENTITIES.***10.4 Other Related Parties of the Company**

Name	Relationship with the Company
Anhui Ruifuxiang Food Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing Catering Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Haochidian Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Shanghai Beihai Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing Business Travel (Group) Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Orient Ruijing Enterprise Investment Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Hengxin Pawn Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Ruineng Thermal Power Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Hefei Gujing Holiday Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Furuixiang High Protein Feed Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Hotel Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruixin Pawn Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Zhongxin Finance Lease Co. Ltd.	An affiliate of the actual controller and controlling

Name	Relationship with the Company
	shareholder
Anhui Huixin Finance Invest Group Co., Ltd	An affiliate of the actual controller and controlling shareholder
Hefei Longxin Financial Management Consulting Co., Ltd	An affiliate of the actual controller and controlling shareholder
Bozhou Anxin Micro Finance Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Xinyuan Municipal Garden Engineering Co., Ltd (Cancelled)	An affiliate of the actual controller and controlling shareholder
Anhui Youxin Financing guarantee Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lixin Electronic Commerce Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Gujing Huishenglou Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing International Tourism Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Health Industry Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Leju Home Tourism Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Shenglong Commercial Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing International Development Co.,Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lvyuan Ecological Agriculture Co.,Ltd	An affiliate of the actual controller and controlling shareholder
Nanjing Suning Real Estate Development Co., Ltd.	Enterprise controlled by Zhang, Guiping, whose a

Name	Relationship with the Company
	director of the Company

10.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

Purchases of goods, receiving of services:

Related parties	Nature of the transaction(s)	2020	2019
Anhui Haochidian Catering Co., Ltd.	Purchase of materials and labor service	22,586,183.13	12,906,491.94
Anhui Gujing Group Co., Ltd.	Purchase of buildings	9,608,025.00	-
Bozhou Hotel Co., Ltd.	Catering and accommodation service	6,540,711.38	5,761,744.42
Bozhou Gujing Huishenglou Catering Co., Ltd.	Catering and accommodation service	2,309,426.00	6,058,768.50
Anhui Haochidian Catering Co., Ltd.	Catering and accommodation service	1,419,119.70	52,807.43
Anhui Gujing Hotel Management Co., Ltd.	Catering and accommodation service	1,124,539.94	606,319.42
Anhui Ruijing Catering Management Co., Ltd.	Purchase of materials	623,966.45	4,872,511.46
Anhui Ruijing Catering Management Co., Ltd.	Catering and accommodation service	24,820.00	-

Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	405,725.64	15,915.26
Hefei Gujing Holiday Hotel Co., Ltd.	Purchase of materials and labor service	653,730.07	520,630.53
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Purchase of materials and labor service	215,018.51	89,950.55
Anhui Gujing Health Industry Co., Ltd.	Purchase of materials and labor service	191,893.81	19,433.63
Anhui Gujing International Development Co., Ltd.	Labor service	103,773.58	-
Anhui Gujing International Tourism Co., Ltd.	Catering and accommodation service	-	2,742,924.44
Anhui Lejiu Home Tourism Management Co., Ltd.	Purchase of materials	99,546.43	-
Anhui Gujing Group Co., Ltd.	Purchase of materials	56,952.00	3,900.00
Anhui Youxin Financing Guarantee Co., Ltd.	Labor service	47,169.81	-
Anhui Ruifuxiang Food Co., Ltd.	Purchase of materials	31,130.76	24,227.98
Anhui Lvyuan Ecological Agriculture Co., Ltd.	Purchase of materials and labor service	19,562.48	1,226,503.81
Anhui Gujing Hotel Management Co., Ltd.	Purchase of materials and labor service	3,413.21	138,836.65

Anhui Xinyuan Municipal Garden Engineering Co., Ltd (Cancelled)	Labor service	-	31,849.06
Anhui Ruijing Catering Management Co., Ltd.	Catering service	-	51,171.00
Anhui Huixin Finance Invest Group Co. Ltd.	Labor service	-	57,200.80
Total	—	46,064,707.90	35,181,186.88

Sales of goods and rendering of services:

Related parties	Nature of the transaction(s)	2020	2019
Anhui Gujing Health Industry Co., Ltd.	Sales of liquor	5,254,234.43	10,075,939.40
Anhui Gujing International Development Co., Ltd.	Sales of liquor	1,649,076.57	531,906.52
Anhui Shenglong Commercial Co., Ltd.	Sales of liquor	1,456,440.72	1,045,891.85
Anhui Ruijing Business Travel (Group) Co., Ltd.	Sales of liquor	649,884.96	5,370,339.55
Anhui Gujing Health Industry Co., Ltd.	Labor service	232,430.19	844,992.46
Anhui Gujing Group Co., Ltd.	Catering and accommodation service	184,013.00	246,231.14
Anhui Gujing Hotel Management Co., Ltd.	Sales of liquor	122,893.76	93,532.67
Anhui Gujing Group Co., Ltd.	Sales of small materials	94,174.07	217,725.29
Bozhou Gujing Huishenglou Catering Co., Ltd.	Sales of liquor	77,893.81	41,023.88
Bozhou Hotel Co., Ltd.	Sales of liquor	74,628.33	17,379.31
Bozhou Ruineng Thermal Power Co., Ltd.	Sales of liquor	74,150.45	312,907.44
Anhui Haochidian Catering Co., Ltd.	Sales of liquor	71,283.20	23,362.83
Anhui Ruijing Business Travel (Group) Co., Ltd.	Catering and accommodation service	70,217.96	49,989.56
Anhui Lejiu Home Tourism Management	Utility fees	56,413.97	305,723.42

Co., Ltd.			
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Sales of liquor	44,674.42	2,016,097.62
Anhui Huixin Finance invest group Co., Ltd	Sales of liquor	39,836.29	470,513.04
Hefei Gujing Holiday Hotel Co., Ltd.	Sales of liquor	30,265.48	-
Shanghai Beihai Hotel Co., Ltd	Sales of liquor	17,203.54	16,566.37
Bozhou Anxin Micro Finance Co., Ltd.	Sales of liquor	15,330.09	9,927.68
Anhui Zhongxin Finance Lease Co. Ltd.	Sales of liquor	14,939.82	11,559.56
Anhui Shenglong Commercial Co., Ltd.	Catering and accommodation service	14,470.00	17,223.00
Anhui Hengxin Pawn Co., Ltd.	Sales of liquor	11,207.09	5,352.21
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of liquor	8,261.95	6,837.04
Anhui Lejiu Home Tourism Management Co., Ltd.	Labor service	7,620.00	-
Anhui Lixin Electronic Commerce Co., Ltd.	Sales of liquor	7,461.93	335,889.03
Anhui Ruixin Pawn Co. Ltd.	Sales of liquor	6,614.16	6,453.98
Anhui Gujing International Development Co.,Ltd.	Sales of small materials	5,437.89	-
Anhui Youxin Financing Guarantee Co., Ltd.	Sales of liquor	4,983.18	5,925.58
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Labor service	2,889.91	17,459.86
Anhui Gujing International Development Co.,Ltd.	Catering and accommodation service	2,820.00	11,940.00
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Sales of small materials	2,631.13	-
Anhui Gujing Health Industry Co., Ltd.	Sales of small materials	1,314.60	10,036.51
Anhui Gujing Health Industry Co., Ltd.	Catering and accommodation service	1,250.00	37,207.00

Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Catering and accommodation service	420.00	5,155.00
Anhui Gujing International Tourism Co., Ltd.	Catering and accommodation service	-	206.00
Anhui Gujing International Tourism Co., Ltd.	Sales of small materials	-	702.45
Anhui Gujing International Tourism Co., Ltd.	Sales of liquor	-	1,009.71
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of small materials	-	11,685.59
Anhui Xinyuan Municipal Garden Engineering Co., Ltd (Cancelled)	Sales of small materials	-	1,551.27
Bozhou Furuixiang High Protein Feed Co. Ltd.	Sales of liquor	-	11,405.17
Bozhou Ruineng Thermal Power Co., Ltd.	Labor service	-	24,866.94
Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	Utility fees	-	68,741.74
Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	-	13,139.65
Anhui Lvyuan Ecological Agriculture Co.,Ltd	Labor service	-	10,058.85
Anhui Lvyuan Ecological Agriculture Co.,Ltd	Sales of small materials	-	14,258.21
Total	—	10,307,366.90	22,318,714.38

(b) Leases

The Company as lessor:

The lessee	Type of assets	2020	2019
Anhui Gujing Hotel Management Co., Ltd.	Buildings and constructions	670,730.21	1,088,012.40
Total	—	670,730.21	1,088,012.40

The Company as lessee:

The lessor	Type of assets	2020	2019
Anhui Gujing Group Co., Ltd.	Buildings and constructions	1,850,265.66	1,799,774.91
Nanjing Suning Real Estate Development Co., Ltd.	Buildings and constructions	1,583,333.32	-
Total		3,433,598.98	1,799,774.91

(c) Key management personnel compensation

Items	2020	2019
Key management personnel compensation	14,184,100.00	12,856,300.00

10.6 Receivables and Payables with Related Parties**(a) Receivables**

Items	Related parties	31 December 2020	31 December 2019
Contract Liabilities	Anhui Gujing Health Industry Co., Ltd.	658,339.50	6,625,624.40
Contract Liabilities	Anhui Ruijing Business Travel (Group) Co., Ltd.	342,484.96	913,047.40
Contract Liabilities	Anhui Gujing International Development Co., Ltd.	186,083.60	1,038,479.00
Contract Liabilities	Bozhou Gujing Huishenglou Catering Co., Ltd.	15,300.00	-
Contract Liabilities	Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	-	490,292.90
Contract Liabilities	Bozhou Ruineng Thermal Power Co., Ltd.	-	2,883.84
Contract Liabilities	Anhui Shenglong Commercial Co., Ltd.	-	144,580.50
Accounts Payable	Anhui Gujing Group Co., Ltd.	4,804,012.50	
Accounts	Anhui Haochidian Catering Co., Ltd.	2,479,131.69	-

Items	Related parties	31 December 2020	31 December 2019
Payable			
Accounts Payable	Anhui Ruijing Business Travel (Group) Co., Ltd.	-	147,120.00
Other Payable	Anhui Gujing Group Co., Ltd.	1,050,004.75	
Other Payable	Anhui Ruijing Business Travel (Group) Co., Ltd.	114,660.00	85,000.00
Other Payable	Anhui Gujing Hotel Management Co., Ltd.	100,000.00	50,000.00
Other Payable	Dazhongyuan Wine Valley Culture Tourism Development Co., Ltd.	-	50,000.00
Other Payable	Anhui Shenglong Commercial Co., Ltd.	-	4,300.00
Other Payable	Anhui Gujing International Development Co., Ltd.	-	16,200.00

11. COMMITMENTS AND CONTINGENCIES

11.1 Significant Commitments

According to the equity transfer agreement regarding the acquisition of Yellow Crane Tower Wine Co., Ltd. (hereinafter, Yellow Crane Tower Wine) between Wuhan Tianlong Investment Group Co., Ltd., the natural person YAN, Hongye and the Company, the Company promised that the operating revenues of Yellow Crane Tower Wine would be no less than the following data (tax inclusive):

Unit: CNY 10,000

Year	2017	2018	2019	2020	2021
Promised operating revenue (Tax inclusive)	80,500.00	100,625.00	130,812.50	170,056.25	204,067.50

Meanwhile, within five years after the delivery date (excluding the year in which the target stock is delivered), the net profit margin on sales of Yellow Crane Tower Wine (the actual net profit / operating revenues of Yellow Crane Tower Wine in current year) shall be no less than 11% for each year. If the audited net profit margin on sales of Yellow Crane Tower Wine is less than 11% per annum, the Company shall compensate for the difference in

accordance with the agreement. If the net profit margin on sales of Yellow Crane Tower Wine is less than 11% for two consecutive years, the transferor will have the right to repurchase all of the shares of Yellow Crane Tower held by the Company, and the repurchase price is CNY 816 million.

The achievement of performance commitment in the separate financial statements of Yellow Crane Tower Wine for the year 2020 is as follows:

Unit: CNY 10,000

Items	Actual number	Commitment number	Difference	Completion rate
Operating revenue (Tax inclusive)	58,313.18	170,056.25	-111,743.07	34.29%
Net profit	-1,171.75	16,554.15	-17,725.90	Loss
Net profit margin on sales	-2.27%	11.00%	-13.27%	Loss

Note: Due to the impact of coronavirus in 2020, market trading activities have been severely affected, resulting in the failure to perform certain provisions of the original agreement on schedule. After negotiation, the two parties made the following changes and supplements to the relevant provisions of the original agreement:

In the original agreement, the "Performance Compensation Commitment" regarding the transferee's completion period for the target company's operating income and net sales margin and other core operating indicators has been extended by one year, that is, the current year of 2020 will not be used as the operating indicator evaluation year, and it will be extended to 2021. 2021 will be regarded as the fourth assessment year, and 2022 will be regarded as the fifth assessment year by analogy. The specific adjustments and changes are as follows:

(a) Regarding operating income indicators

Within six years after the delivery date (excluding the year of the target equity delivery date, referred to as the "assessment period"), the target company's annual committed operating income (including tax) will reach the following data:

Term	2017	2018	2019	2020	2021	2022
Promised operating revenue	80,500.00	100,625.00	130,812.50	—	170,056.25	204,067.50

(Tax inclusive)						
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- (b) Regarding the target company's commitment to net sales margin, net sales profit and expected distributable profits, the evaluation period will be extended for one year after the supplementary agreement is signed, that is, the current year of 2020 will not be used as the operating indicator evaluation year, and it will be extended to 2021. 2021 will be regarded as the fourth assessment year, and 2022 will be regarded as the fifth assessment year by analogy.
- (c) The two parties will not claim any compensation or pursue any other responsibilities to the other party due to the performance in 2020.

11.2 Contingencies

As of 31 December 2020, The Company has no contingencies need to be disclosed.

12. EVENTS AFTER THE REPORTING PERIOD

12.1 On April 29, 2021, the seventh meeting of the ninth board of directors of the company deliberated and approved the profit distribution plan for 2020. The Company plans to use the total share of 503,600,000.00 of the Company at 31 December 2020 as a base, to distribute CNY 1.50 (before tax) for every share, and as a result to distribute CNY 755,400,000.00 to all shareholders. The income tax payable by all shareholders will be withheld and paid by the Company. The profit distribution plan is pending the approval of the General Meeting of shareholders of the Company.

12.2 On April 29, 2021, the Issuance Review Committee of the China Securities Regulatory Commission reviewed the Company's application for non-public stock issuance plan. the Company's application for non-public issuance of shares was approved.

12.3 As of January 8, 2021, the Company's acquisition of 60% of Mingguang Liquor Co., Ltd. has completed the approval of the State-owned Capital Management Department and the registration procedures for industrial and commercial changes. 60% of the shares in Mingguang liquor industry have been transferred to the company's name.

12.4 As of April 29, 2021, other than the above-mentioned matter, the Company has no other events after the reporting period need to be disclosed

13. OTHER SIGNIFICANT MATTERS

Segment Information

The Company did not determine the operating segment in accordance with the internal organizational structure, management requirements, and internal reporting system, so there was no need to disclose segment information report based on the operating segments.

14. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

14.1 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 December 2020	31 December 2019
Within one year	494,976.27	218,558,555.07
Including: 1-6months	494,976.27	218,558,555.07
7-12months	-	-
1-2 years	-	-
2-3 years	-	-
Over 3 years	-	141,121.87
Subtotal	494,976.27	218,699,676.94
Less: provision for bad debt	0.00	141,121.87
Total	494,976.27	218,558,555.07

(b) Accounts receivable by bad debt provision method

Category	31 December 2020				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-

Category	31 December 2020				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	494,976.27	100.00	-	-	494,976.27
Including: Group1	494,976.27	100.00	-	-	494,976.27
Group2	-	-	-	-	-
Total	494,976.27	-	-	-	494,976.27

(Continued)

Category	31 December 2019				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	218,699,676.94	100.00	141,121.87	0.06	218,558,555.07
Including: Group1	218,558,555.07	99.94	-	-	218,558,555.07
Group2	141,121.87	0.06	141,121.87	100.00	-
Total	218,699,676.94	100.00	141,121.87	0.06	218,558,555.07

At 31 December 2020, accounts receivable with bad debt provision recognised collectively by group 1

Aging	31 December 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Related parties within the scope of consolidation	494,976.27	-	-
Total	494,976.27	-	-

At 31 December 2020, accounts receivable with bad debt provision recognised collectively by group 2

Aging	31 December 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	-	-	-
Including: 1-6months	-	-	-
7-12months	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	-	-	-

At 31 December 2019, accounts receivable with bad debt provision recognised collectively by group 1

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Related parties within the scope of consolidation	218,558,555.07	-	-
Total	218,558,555.07	-	-

At 31 December 2019, accounts receivable with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year			
Including: 1-6months	-	-	-
7-12months	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	141,121.87	141,121.87	100.00
Total	141,121.87	141,121.87	100.00

(c) Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised individually	-	-	-	-	-
Provision for bad debt recognized collectively	141,121.87	-141,121.87	-	-	-
Total	141,121.87	-141,121.87	-	-	-

(d) At 31 December 2020, top five closing balances by entity

Entity name	Balance at 31 December 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Entity 1	494,976.27	100.00	-
Entity 2	-	-	-
Entity 3	-	-	-
Entity 4	-	-	-
Entity 5	-	-	-
Total	494,976.27	100.00	-

14.2 Other Receivables

(a) Other receivables by category

Items	31 December 2020	31 December 2019
Interest receivable	-	301,888.89
Dividend receivable	-	-
Other receivables	141,378,010.40	124,917,324.95
Total	141,378,010.40	125,219,213.84

(b) Dividend receivable

(i) Dividend receivables by category

Items	31 December 2020	31 December 2019
Interest on certificates of deposit	-	301,888.89
Less: provision for bad debts	-	-
Total	-	301,888.89

(c) Other receivables**(i) Other receivables by aging**

Aging	31 December 2020	31 December 2019
Within one year	140,143,887.64	64,773,476.22
Including: 1-6 months	139,805,782.01	50,595,906.92
7-12 months	338,105.63	14,177,569.30
1-2 years	1,322,306.20	59,983,186.13
2-3 years	244,089.00	525,794.00
Over 3 years	41,333,188.41	41,540,607.44
Subtotal	183,043,471.25	166,823,063.79
Less: provision for bad debt	41,665,460.85	41,905,738.84
Total	141,378,010.40	124,917,324.95

(ii) Other receivables by nature

Nature	31 December 2020	31 December 2019
Related parties within the scope of consolidation	133,696,578.89	120,200,301.28
Security investment	40,807,394.41	40,850,949.35
Security deposit and guarantee	1,879,230.29	1,850,139.09
Rent, water, electricity and gas	1,275,238.93	853,843.90
Others	5,385,028.73	3,067,830.17
Total	183,043,471.25	166,823,063.79

(iii) Other receivables by bad debt provision method

A. At 31 December 2020, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Book value
Stage 1	142,236,076.84	858,066.44	141,378,010.40
Stage 2	-	-	-
Stage 3	40,807,394.41	40,807,394.41	-
Total	183,043,471.25	41,665,460.85	141,378,010.40

A1. At 31 December 2020, provision for bad debt in stage 1

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	-	-	-	-
Provision for bad debt recognized collectively	142,236,076.84	0.60	858,066.44	141,378,010.40
Including: Group1	133,696,578.89	-	-	133,696,578.89
Group2	8,539,497.95	10.05	858,066.44	7,681,431.51
Total	142,236,076.84	0.60	858,066.44	141,378,010.40

At 31 December 2020, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2020		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	6,447,308.75	77,997.31	1.21
Including: 1-6months	6,109,203.12	61,092.03	1.00
7-12months	338,105.63	16,905.28	5.00
1-2 years	1,322,306.20	132,230.63	10.00
2-3 years	244,089.00	122,044.50	50.00
Over 3 years	525,794.00	525,794.00	100.00
Total	8,539,497.95	858,066.44	10.05

A2. At 31 December 2020, provision for bad debt at stage 3:

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	40,807,394.41	100.00	40,807,394.41	0.00
Provision for bad debt recognized collectively	-	-	-	-
Including: Group1	-	-	-	-
Group2	-	-	-	-
Total	40,807,394.41	100.00	40,807,394.41	0.00

At 31 December 2020, other receivables with provision for bad debt recognised individually

Entity name	31 December 2020			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin securities Co., Ltd.	28,966,894.41	28,966,894.41	100.00	Enterprise enters the bankruptcy liquidation procedure
Jianqiao securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	Enterprise enters the bankruptcy liquidation procedure
Total	40,807,394.41	40,807,394.41	100.00	

B. At 31 December 2019, provision for bad debt using incurred loss model:

Stages	Book balance	Provision for bad debt	Book value
Stage 1	125,972,114.44	1,054,789.49	124,917,324.95
Stage 2	-	-	-
Stage 3	40,850,949.35	40,850,949.35	-
Total	166,823,063.79	41,905,738.84	124,917,324.95

B1. At 31 December 2019, provision for bad debt in stage 1

Category	Book balance	12-month expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	-	-	-	-
Provision for bad debt recognized collectively	125,972,114.44	0.84	1,054,789.49	124,917,324.95
Including: Group1	120,200,301.28	-	-	120,200,301.28
Group2	5,771,813.16	18.27	1,054,789.49	4,717,023.67
Total	125,972,114.44	0.84	1,054,789.49	124,917,324.95

At 31 December 2019, other receivables with bad debt provision recognised collectively by group 2

Aging	31 December 2019		
	Book balance	Provision for bad debt	Provision ratio (%)
Within one year	4,312,272.07	77,825.50	1.80
Including: 1-6months	3,444,702.77	34,447.03	1.00
7-12months	867,569.30	43,378.47	5.00
1-2 years	244,089.00	24,408.90	10.00
2-3 years	525,794.00	262,897.00	50.00
Over 3 years	689,658.09	689,658.09	100.00
Total	5,771,813.16	1,054,789.49	18.27

B2. At 31 December 2019, provision for bad debt in stage 3

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	40,850,949.35	100	40,850,949.35	-
Provision for bad debt recognized collectively	-	-	-	-

Category	Book balance	Lifetime expected credit losses rate (%)	Provision for bad debt	Carrying amount
Including: Group1	-	-	-	-
Group2	-	-	-	-
Total	40,850,949.35	100	40,850,949.35	-

At 31 December 2020, other receivables with provision for bad debt recognised individually

Entity Name	31 December 2019			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason
Hengxin securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	Enterprise enters the bankruptcy liquidation procedure
Jianqiao securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	Enterprise enters the bankruptcy liquidation procedure
Total	40,850,949.35	40,850,949.35	-	-

(iv) Changes of provision for bad debt during the reporting period

Category	31 December 2019	Changes during the reporting period			31 December 2020
		Provision	Recovery or reversal	Write-off	
Provision for bad debt recognised individually	40,850,949.35	-	43,554.94	-	40,807,394.41
Provision for bad debt recognized collectively	1,054,789.49	-	196,723.05	-	858,066.44
Total	41,905,738.84	-	240,277.99	-	41,665,460.85

(v) Top five closing balances by entity

Entity name	Nature	Balance at 31 December 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Entity1	Related party within the scope of consolidation	85,361,073.03	Within one year	46.63	-
Entity2	Related party within the scope of consolidation	47,469,478.21	Within one year	25.93	-
Entity3	Security Investment	28,966,894.41	Over 3 years	15.83	28,966,894.41
Entity4	Security Investment	11,840,500.00	Over 3 years	6.47	11,840,500.00
Entity5	Others	2,000,000.00	Over 3 years	1.09	20,000.00
Total	—	175,637,945.65	—	95.95	40,827,394.41

14.3 Long-term Equity Investments

Items	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Subsidiaries	1,118,213,665.32	-	1,118,213,665.32	1,148,213,665.32	-	1,148,213,665.32
Total	1,118,213,665.32	-	1,118,213,665.32	1,148,213,665.32	-	1,148,213,665.32

(a) Investments in subsidiaries

Investees	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020	Provision for impairment during the reporting period	Provision for impairment at 31 December 2020
Bozhou Gujing	68,949,286.89	-	-	68,949,286.89	-	-

Investees	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020	Provision for impairment during the reporting period	Provision for impairment at 31 December 2020
Sales Co., Ltd.						
Anhui Longrui Glass Co., Ltd	85,267,453.06	-	-	85,267,453.06	-	-
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	49,906,854.63	-	-	49,906,854.63	-	-
Bozhou Gujing Hotel Co., Ltd.	648,646.80	-	-	648,646.80	-	-
Anhui Ruisiweier Technology Co., Ltd	40,000,000.00	-	-	40,000,000.00	-	-
Anhui Baiweilu Liquor Co., Ltd.	30,000,000.00		30,000,000.00	-		
Anhui Yuanqing Environmental Protection Co., Ltd.	16,000,000.00	-	-	16,000,000.00	-	-
Anhui Gujing Yunshang Electronic Commerce Co., Ltd.	5,000,000.00	-	-	5,000,000.00	-	-
Anhui Zhenrui Construction Engineering Co., Ltd	10,000,000.00	-	-	10,000,000.00	-	-
Yellow Crane	816,000,000.00	-	-	816,000,000.00	-	-

Investees	31 December 2019	Increase during the reporting period	Decrease during the reporting period	31 December 2020	Provision for impairment during the reporting period	Provision for impairment at 31 December 2020
Tower Wine Co., Ltd						
Anhui Jinyunlai Culture & Media Co., Ltd. (hereafter Jinyunlai)	15,000,000.00	-	-	15,000,000.00	-	-
Bozhou Gujing Waste Recycling Co., Ltd.	1,441,423.94	-	-	1,441,423.94	-	-
Anhui Runanxinke Testing Technology Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Total	1,148,213,665.32	-	30,000,000.00	1,118,213,665.32	-	-

14.4 Revenue and Cost of Sales

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	5,806,187,227.99	2,359,384,925.04	5,485,034,001.70	2,217,395,489.41
Other activities	73,180,067.75	45,385,582.08	79,861,568.03	51,860,608.37
Total	5,879,367,295.74	2,404,770,507.12	5,564,895,569.73	2,269,256,097.78

14.5 Investment Income

Items	2020	2019
Investment income from long-term equity investments under cost method	707,487,107.56	770,000,042.30
Gains on disposal of financial assets at fair value through	-	-

Items	2020	2019
profit or loss		
Interest income from debt investment during the holding period	-	-
Interest income from other debt investment during the holding period	-	-
Gains on disposal of financial assets measured at fair value and changes are included into other comprehensive income	-34,762,044.63	-
Investment income from held-for-trading financial assets during the holding period	30,570,930.80	76,168,001.78
Others	-	-
Total	703,295,993.73	846,168,044.08

15. SUPPLEMENTARY INFORMATION

15.1 Extraordinary Gains or Losses

Items	2020	2019	Description
Gains /(losses) on disposal of non-current assets	-3,692,640.09	-7,615,741.56	
Government grants recognised in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	48,617,479.37	98,293,177.32	
Gains /(losses) arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading	21,490,043.05	144,234,319.52	

Items	2020	2019	Description
financial liabilities, derivative financial liabilities and other debt investment except effective hedging transactions related to the Company's principal activities			
Reversal of provision for bad debt recognised individually	43,554.94	-	
Other non-operating income/expenses except for items mentioned above	44,100,616.61	57,215,092.96	
Other extraordinary gains/(losses) defined	-	-	
Total extraordinary gains/(losses)	110,559,053.88	292,126,848.24	
Less: tax effect	27,033,395.22	71,418,613.38	
Less: net extraordinary gains/(losses) attributable to non-controlling interest	1,960,716.42	14,277,652.37	
Net extraordinary gains/(losses) attributable to ordinary shareholders	81,564,942.24	206,430,582.49	

15.2 Return on Net Assets and Earnings Per Share ('EPS')

2020

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	19.53	3.68	3.68
Net profit attributable to ordinary shareholders after extraordinary gains and losses	18.68	3.52	3.52

2019


Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	25.55	4.17	4.17
Net profit attributable to ordinary shareholders after extraordinary gains and losses	23.03	3.76	3.76

Part XIII Documents Available for Reference

- (I) The financial statements carrying the signatures and stamps of the Company's legal representative, Chief Accountant and head of the accounting department;
- (II) The original copy of the Independent Auditor's Report stamped by the CPA firm as well as signed and stamped by the engagement certified public accountants;
- (III) The originals of all the Company's announcements and documents disclosed on media designated by the China Securities Regulatory Commission during the Reporting Period; and
- (IV) The annual report disclosed in other securities markets.

Chairman of the Board:



(Liang Jinhui)

Anhui Gujing Distillery Company Limited



29 April 2021