



**Luzhou Laojiao Co., Ltd.**  
**2020 Annual Report**

**April 2021**

## Section I Important Statements, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management guarantee that the information presented in this report is free of any false records, misleading statements or material omissions, and shall individually and together be legally liable for truthfulness, accuracy and completeness of its contents.

Liu Miao, responsible person for the Company, Xie Hong, responsible person for accounting work and Yan Li, responsible person for the Company's financial affairs (Accounting Supervisor) have warranted that the financial statements in this report are true, accurate and complete.

Other directors attended the board meeting to deliberate this report by themselves except the following directors.

| Name of directors who did not attend the meeting in person | Position of directors who did not attend the meeting in person | Reason for not attending the meeting in person | Name of deputies |
|--|--|--|------------------|
| Wang Hongbo  | Director   | Work   | Lin Feng         |
| Tan Lili   | Independent Director   | Work   | Xu Guoxiang      |
| Qian Xu  | Director   | Work   | Liu Miao         |
| Ying Hanjie  | Director   | Work   | Liu Miao         |

Affected by risks, uncertainties and assumptions, the forward-looking statements concerning business objectives and future plans made in this report based on the subjective assumptions and judgments of the future policies and economic conditions may be significantly different from the actual results. Such statements shall not be considered as virtual promises of the Company to investors, and the investors and relevant persons shall maintain adequate risk awareness and shall understand the differences between plans, forecasts and commitments.

In the annual report, the potential risks in the operation of the Company have been disclosed. Investors are kindly reminded to pay attention to possible investment risks.

The profit distribution plan approved by the board of directors: based on 1,464,752,476 shares, a cash dividend of CNY 20.51 (tax inclusive) will be distributed for every 10 existing shares held, 0 shares of bonus shares (tax inclusive), and reserves would not be converted into share capital.

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

## Contents

|  |            |
|--|------------|
| <b>Section I Important Statements, Contents and Definitions .....</b>                      | <b>2</b>   |
| <b>Section II Company Profile and Key Financial Results .....</b>                          | <b>5</b>   |
| <b>Section III Business Profile .....</b>  | <b>10</b>  |
| <b>Section IV Performance Discussion and Analysis.....</b>                                 | <b>13</b>  |
| <b>Section V Significant Events.....</b>   | <b>41</b>  |
| <b>Section VI Changes in Shares and Information about Shareholders.....</b>                | <b>59</b>  |
| <b>Section VII Preferred Shares.....</b>   | <b>69</b>  |
| <b>Section VIII Information about Convertible Corporate Bond .....</b>                     | <b>70</b>  |
| <b>Section IX Profiles of Directors, Supervisors, Senior Management and Employees.....</b> | <b>71</b>  |
| <b>Section X Corporate Governance.....</b>   | <b>83</b>  |
| <b>Section XI Information about Corporate Bond.....</b>                                    | <b>89</b>  |
| <b>Section XII Financial Report .....</b>  | <b>95</b>  |
| <b>Section XIII Documents Available for Reference.....</b>                                 | <b>248</b> |

## Definitions

| Term                                 | Reference | Definition   |
|--------------------------------------|-----------|--|
| Company, the Company, Luzhou Laojiao | Refer to  | Luzhou Laojiao Co., Ltd.   |
| Laojiao Group                        | Refer to  | Luzhou Laojiao Group Co., Ltd.   |
| XingLu Group                         | Refer to  | Luzhou XingLu Investment Group Co., Ltd.                               |
| SASAC of Luzhou                      | Refer to  | State-owned Assets Supervision and Administration Commission of Luzhou |
| Huaxi Securities                     | Refer to  | Huaxi Securities Co., Ltd.   |
| CICC                                 | Refer to  | China International Capital Corporation Limited                        |
| Luzhou Bank                          | Refer to  | Luzhou Bank Co., Ltd.  |
| Sales Company                        | Refer to  | Sales Company of Luzhou Laojiao Co., Ltd.                              |
| Brewing Company                      | Refer to  | Luzhou Laojiao Brewing Co., Ltd.                                       |

## Section II Company Profile and Key Financial Results

### 1. Corporate information

|   |  |            |        |
|---|--|------------|--------|
| Stock abbreviation  | Luzhou Laojiao   | Stock code | 000568 |
| Stock exchange where the shares of the Company are listed | Shenzhen Stock Exchange  |            |        |
| Name of the Company in Chinese                            | 泸州老窖股份有限公司   |            |        |
| Abbr. of the Company name in Chinese                      | 泸州老窖   |            |        |
| Name of the Company in English (if any)                   | Luzhou Laojiao Co., Ltd.   |            |        |
| Abbr. of the Company name in English (if any)             | LZLJ   |            |        |
| Legal representative                                      | Liu Miao   |            |        |
| Registered address  | Guojiao Square, Luzhou City, Sichuan Province, China   |            |        |
| Postal code   | 646000   |            |        |
| Business address  | Luzhou Laojiao Marketing Network Command Center, Nanguang Road, Luzhou City, Sichuan Province, China |            |        |
| Postal code   | 646000   |            |        |
| Company website   | www.lzlj.com   |            |        |
| E-mail  | lzlj@lzlj.com  |            |        |

### 2. Contact us

|         | Secretary of the board   | Representative for securities affairs |
|---------|--|---------------------------------------|
| Name    | Wang Hongbo  | Wang Chuan                            |
| Address | Luzhou Laojiao Marketing Network Command Center, Nanguang Road, Luzhou City, Sichuan Province, China |                                       |
| Tel.    | (0830)2398826  | (0830)2398826                         |
| Fax     | (0830)2398864  | (0830)2398864                         |

|        |              |              |
|--------|--------------|--------------|
| E-mail | dsb@lzlj.com | dsb@lzlj.com |
|--------|--------------|--------------|

### 3. Information disclosure and place where the annual report is kept

|  |   |
|--|---|
| Newspaper designated by the Company for information disclosure   | China Securities Journal, Securities Times, Securities Daily    |
| Website designated by the China Securities Regulatory Commission (CSRC) for the publication of the Annual Report | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| Place where the annual report of the Company is kept   | Board office  |

### 4. Company registration and alteration

|   |  |
|---|--|
| Organization code   | 91510500204706718H   |
| Changes in main business activities since the Company was listed (if any) | None   |
| Changes of controlling shareholders of the Company (if any)               | Before September 2009, the controlling shareholder was the SASAC of Luzhou. After the equity transfer in September 2009, the controlling shareholder was changed to Laojiao Group, but the actual controller is still the SASAC of Luzhou. |

### 5. Other relevant information

Accounting firm engaged by the Company

|   |   |
|---|---|
| Name of the accounting firm               | Sichuan Huaxin (Group) CPA Firm   |
| Business address of the accounting firm   | 28/F., South Jinmaolidu, NO.18 Ximianqiao Street, Chengdu City, Sichuan Province. |
| Name of accountants for writing signature | Li Wulin, He Shoufu, and Tang Fangmo  |

Sponsors engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable  N/A

Financial adviser engaged by the Company to continuously perform its supervisory function during the reporting period.

Applicable  N/A

## 6. Key accounting data and financial indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data.

Yes  No

|   | 2020               | 2019               | YoY Change | 2018               |
|---|--------------------|--------------------|------------|--------------------|
| Operating revenues (CNY)  | 16,652,854,549.80  | 15,816,934,272.86  | 5.28%      | 13,055,465,761.55  |
| Net profits attributable to shareholders of the Company (CNY)                                       | 6,005,723,069.36   | 4,641,988,857.03   | 29.38%     | 3,485,643,008.98   |
| Net profits attributable to shareholders of the Company before non-recurring gains and losses (CNY) | 5,990,831,793.72   | 4,600,916,766.09   | 30.21%     | 3,483,173,302.46   |
| Net cash flows from operating activities (CNY)  | 4,916,102,451.30   | 4,841,619,203.86   | 1.54%      | 4,297,916,018.24   |
| Basic earnings per share (CNY/share)  | 4.10               | 3.17               | 29.34%     | 2.38               |
| Diluted earnings per share (CNY/share)  | 4.10               | 3.17               | 29.34%     | 2.38               |
| Weighted average ROE  | 28.27%             | 25.50%             | 2.77%      | 21.81%             |
|   | At the end of 2020 | At the end of 2019 | YoY Change | At the end of 2018 |
| Total assets (CNY)  | 35,009,203,823.45  | 28,919,969,078.32  | 21.06%     | 22,604,929,596.42  |
| Net assets attributable to shareholders of the Company (CNY)  | 23,074,858,552.59  | 19,406,845,725.61  | 18.90%     | 16,964,671,475.96  |

Whether the lower of the net profits attributable to shareholders of the Company before and after non-recurring gains and losses was negative for the last three accounting years, and the latest auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern

Yes  No

Whether the lower of the net profits attributable to shareholders of the Company before and after non-recurring gains and losses was negative

Yes  No

## 7. Differences in accounting data under domestic and overseas accounting standards

### 7.1. Differences in the net profits and net assets disclosed in the financial reports prepared under the international and China accounting standards

Applicable  N/A

No such differences for the reporting period.

### 7.2. Differences in the net profits and net assets disclosed in the financial reports prepared under the overseas and China accounting standards

Applicable  N/A

No such differences for the reporting period.

## 8. Key financial results by quarter

Unit: CNY

|   | Q1               | Q2               | Q3               | Q4               |
|---|------------------|------------------|------------------|------------------|
| Operating revenues  | 3,552,467,494.03 | 4,082,015,407.84 | 3,964,495,377.15 | 5,053,876,270.78 |
| Net profits attributable to shareholders of the Company                                       | 1,707,145,859.72 | 1,513,306,330.55 | 1,594,926,776.29 | 1,190,344,102.80 |
| Net profits attributable to shareholders of the Company before non-recurring gains and losses | 1,713,748,254.45 | 1,520,203,594.60 | 1,580,862,798.75 | 1,176,017,145.92 |
| Net cash flows from operating activities  | -316,284,597.30  | 1,045,100,019.54 | 2,068,649,468.56 | 2,118,637,560.50 |

Whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

Yes  No

## 9. Non-recurring profits and losses

Applicable  N/A

Unit: CNY

| Item  | 2020         | 2019          | 2018           | Note                                     |
|---|--------------|---------------|----------------|--|
| Profit or loss from disposal of non-current assets (including the | 8,123,010.18 | 23,211,482.49 | -13,885,991.18 | See "Section XII Note 5.40" for details. |



|   |                |                |               |  |
|---|----------------|----------------|---------------|--|
| write-off portion of the impairment provision)  |                |                |               |  |
| Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the national uniform standards) | 31,409,825.37  | 43,969,302.07  | 22,342,598.30 | See "Section XII Note 5.37" for details.       |
| Other non-operating income and expenditure except above-mentioned items   | -20,289,086.46 | -11,510,048.21 | -4,902,369.83 | See "Section XII Note 5.41, 5.42" for details. |
| Less: Corporate income tax  | 4,512,028.92   | 13,076,295.35  | 316,133.32    |  |
| Minority interests (after tax)  | -159,555.47    | 1,522,350.06   | 768,397.45    |  |
| Total   | 14,891,275.64  | 41,072,090.94  | 2,469,706.52  | --   |

Explain the reasons if the Company classifies an item as a non-recurring profit/loss according to the definition in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-Recurring Profits and Losses*, or classifies any non-recurring profit/loss item mentioned in the said explanatory announcement as a recurring profit/loss item.

Applicable  N/A

No such cases for the reporting period.

## Section III Business Profile

### 1. Business scope in the reporting period

The Company shall comply with the disclosure requirements of the *Guidelines No. 14 of the Shenzhen Stock Exchange on Industry Information Disclosure—Listed Companies Engaging in Business Related to Food & Liquor and Wine Production*.

Holding 20 food business licenses, the Company operates within the liquor subdivision industry which belongs to liquor, beverage and refined tea manufacturing industry with specialized liquor product design, production and sales as its main business model. The Company's main business is the research and development, production and sales of liquor series such as "National Cellar 1573" and "Luzhou Laojiao", and its main comprehensive performance indicators rank high in the liquor industry.

In recent years, the liquor industry, mainly characterized by slower growth, centralized differentiation and fiercer competition, is gradually having younger generation as its main consumer group. During the reporting period, the Company closely followed the development theme of "Firm Determination, Strong Confidence, Strict Management, Targeted Audit, Talent Development and All-out Efforts", and calmly coped with major pandemic challenges. Two developments outperformed expectations. First, development resilience outperformed expectations. Amid the severe challenges in the recovery of the liquor market, the Company took the lead in the industry to weather the crisis, and achieved revenue growth against liquor industry trend. The sales results hit a record high; second, development momentum outperformed expectations. The Company not only maintained the external growth of sales, market and volume, but also showed a high-quality and endogenous development trend of brand value return, assurance element upgrade, quality and technology improvement, cultural strength enhancement, and talent team enrichment.

### 2. Significant changes in the main assets

#### 2.1. Significant changes in the main assets

| Main assets       | Reasons for any significant change  |
|-------------------|---|
| Equity assets     | N/A   |
| Fixed assets      | The closing balance increased by CNY 5,368,242,776.81 compared to opening balance, indicating an increase of 353.44 percent. It was mainly due to the transfers from the technical renovation project of brewing to fixed assets in the current period. |
| Intangible assets | The closing balance increased by CNY 2,324,883,992.90 compared to opening balance, indicating an increase of 699.77 percent. It was   |

|                                |   |
|--------------------------------|---|
|                                | mainly due to an increase of CNY 2,339,890,616.45 in land value in the current period.  |
| Construction in progress       | The closing balance decreased by CNY 5,245,263,207.41 compared to opening balance, indicating a decrease of 72.27 percent. It was mainly due to the transfers from the technical renovation project of brewing to fixed assets in the current period. |
| Accounts receivables financing | The closing balance increased by CNY 815,574,506.55 compared to opening balance, indicating an increase of 34.07 percent. It was mainly due to an increase in bank acceptance notes received as a result of expanding sales.                          |

## 2.2. Main assets overseas

Applicable  N/A

## 3. Analysis of core competitiveness

### A. Geographical advantage

Luzhou City, where the Company is located, sits in the transitional area between the southern rim of the Sichuan Basin and the Yunnan-Guizhou Plateau, featuring a warmer and more humid sub-tropical climate compared to other areas at the same latitude, with a temperature above 0°C throughout the year. The unique climate and soil are agreeable to grow grains for liquor brewing. The glutinous red sorghum and soft wheat grown in this area are the primary raw materials for the liquor of the Company. The cellars in which the Company brews its liquor are made of the local loessal clay characterized by strong viscosity, rich minerals and excellent moisture retention. In addition, the abundant and quality water in the region creates a unique geographical advantage for the production of the Company's liquor.

### B. Advantage of cellars and brewing technique

Aged cellars are the most essential condition for a strong aromatic liquor maker to produce good quality liquor. The Cellars of National Treasure 1573, founded in 1573, was granted by the State Council as the first Cultural Relic of National Importance in the industry under the Protection of the State in December 1996. 1,619 cellars of Luzhou Laojiao which have been continuously used for over 100 years, together with its 16 ancient brewing workshops and three natural cellar holes, were all selected as the fourth batch of Cultural Relics of National Importance under the Protection of the State in 2013. They are unique resources that cannot be replicated. In both 2006 and 2012, Luzhou Laojiao Daqu Cellars were twice selected into the preliminary list of China for World Heritage. In November 2018, Luzhou Laojiao Cellars and Brewing Workshops were selected into China's Industrial Heritage List. The time-honored Traditional Brewing Technique of Luzhou Laojiao is a 23-generation inheritance and a classic brewing technique for strong aromatic liquor. This technique was selected as the first batch of National Intangible Cultural Heritage in May 2006. The Cellars of National Treasure 1573 and the Traditional Brewing Technique of Luzhou Laojiao together provide the most essential basis and assurance for the quality of the product series of National Cellar 1573 and Luzhou Laojiao.

### C. Brand advantage

Brand is a key business resource for liquor producers. The Company's reputation is greatly built on its superiority in brand. National Cellar 1573, which is of a connoisseurship level, is a world-famous high-end brand. Luzhou Laojiao Tequ, a classic brand for strong aromatic liquor, was selected in 1952 by the first national tasting competition judges as one of the four most famous liquor brands in China. It is the only strong aromatic liquor brand that won the title of "National Famous Liquor" for five consecutive times, as well as the pioneer with regard to the "Tequ" variety of liquor. In recent years, the Company has successfully put in place a brand system of "dual brands, three product series, and major single products" with great clarity and focus. The programs carried out to promote the brand of National Cellar 1573 and revive the brand of Luzhou Laojiao have produced remarkable results, with significant improvement in brand influence. The Company's liquor is increasingly known by consumers as a national brand of strong aromatic liquor and of authentic flavor.

#### **D. Quality and R&D advantage**

The Company is committed to producing high-quality liquor, advocating a healthy lifestyle and "making the quality visible". The first "Organic Sorghum Planting Base" was established and the six-factor management system (including organic, quality, safety, environment, measurement and energy) was built and improved. The research platforms are established, including National Engineering Research Center of Solid-State Brewing, National Liquor Test Center, National Postdoctoral Workstation, etc, which all support the innovation and upgrading of products with their strong technical force. In recent years, the Company has put in a lot of efforts in researching Tequ production, brewing informatization & automation. Relying on the technological innovation platforms such as the National Industrial Design Center, and continuously deepening the cooperation with universities and scientific research institutes including the Chinese Academy of Sciences and the Jiangnan University, the Company has undertaken dozens of national- or provincial-level projects and has been granted hundreds of invention or utility model patents. And remarkable results have been achieved with respect to improvement of the quality of base liquor, as well as production efficiency improvement.

#### **E. Talent advantage**

The Company has built up the richness in its talent pool throughout the years. It has 1 inheritor of national intangible cultural heritage, 2 masters of Chinese brewing, 2 masters of Chinese liquor, 3 masters of Chinese liquor technique, 2 Chinese liquor connoisseurs, 5 senior professor engineers, 7 experts who receive special allowances from the State Council, 3 national technicians, 3 academic and technologic leaders of Sichuan province, 1 excellent expert with special contribution of Sichuan province, 1 craftsman of Sichuan province, 1 technological elite of Sichuan province, as well as hundreds of highly skilled personnel including national liquor judges, senior brewing technicians and brewing technicians. The comprehensive and professional personnel system assures the sound development of the Company.

## Section IV Performance Discussion and Analysis

### 1. Overview

2020 marks the final year of the Company's "13th Five-Year Plan". This year, facing the sudden COVID-19 pandemic, the Company thoroughly implemented the development theme of "Firm Determination, Strong Confidence, Strict Management, Targeted Audit, Talent Development and All-out Efforts", made concerted efforts, rose to challenges, and fought courageously to promote the Company to continue the healthy and rapid development. The Company won the victory in both fighting against the pandemic and resuming work and production. For 2020, operating revenue amounted to CNY 16.653 billion, up 5.28% year on year; and the net profit attributable to the shareholders of the listed company reached CNY 6.006 billion, up 29.38% year on year. Luzhou Laojiao achieved a perfect ending to the "13th Five-Year Plan". Over the past year, the Company's main work and performance included:

#### A. Guidance of brand strategy and value return of famous liquor brands

The Company thoroughly implemented the brand revival project, and focused on the strategy of "dual brands, three product series, and major single products" with great clarity. National Cellar 1573 continued to lead the brand recognition. The market share, product profit, brand image and high-end value continued to increase; the returning trend of Luzhou Laojiao brands' value and consumer confidence gradually took shape. Breakthrough was continuously made in 60 Tequ. 10th Gene Tequ was successfully launched on the market. The transformation and leapfrogging development of Jiaoling Baijiu was comprehensively promoted. The marketing management reform of the Touqu and Erqu series achieved remarkable results; innovative product series continued to meet the diversified and segmented market needs; the new strategic brand "Gogoon" opened a new track of affordable Luxury. The Company has managed to cover various product price zones. With a new pyramid of brands, the Company will continue to rejuvenate and promote value return of the brand.

#### B. Expansion of sales territory and market scale

The Company resolutely promoted the implementation of the "competitive marketing" strategy. Regional markets and the "city cluster" strategy went hand in hand. The effect of the strategy of "development towards Eastern and Southern China and Rise in the Central Plains" emerged. The national market presence achieved high-quality and balanced development; the "dual 124" project and the "new 124" project centering on private domain traffic resonated together. The decisions and measures are further implemented to reach the terminal and consumers directly; the sales team and customers realized "dual classification and dual authorization". The sales business and resources were further decentralized to well-performing regions and high-quality customers, which effectively released the momentum of the distributors and sales team. The Company has made great achievements in the market and accelerated the scale expansion.

#### C. Intelligent factory upgrade and quality demonstration

The Company comprehensively promoted the construction of the technical renovation project of brewing and the technical upgrade project of the Smart Packaging Centre, which improved the efficiency of brewing production and packaging material procurement and supply; it strengthened the use of Industrial Internet of Things and big data, and realized the efficient integration of warehousing, distribution,

transportation and other sectors; it continued to carry out basic research on intelligent brewing, and promoted scientific research and innovation to support the industrial development. During the reporting period, the Company won major awards such as the "Special Award for Industrial Energy Conservation", the "China Excellent Industrial Design Award", and the "Qing Zhuo Award", and was awarded the "Provincial-Level Enterprise Technology Center". The first batch of national consumer product standardization pilot projects undertaken by the Company passed the inspection by the State Administration for Market Regulation with high scores. The Company was the only liquor enterprise in the liquor industry in Sichuan Province to receive this honor.

#### **D. Scientific and standardized management and internal efficiency improvement**

The Company actively explored the hierarchical management model of performance assessment, refined the assessment of the tracking of the entire project life cycle, strictly linked the budget execution effect with performance, and promoted the implementation of corporate management; it gave full play to the effectiveness of financial fund planning, developed a human resources decision-making system with efficient linkage and rapid response, and promoted the efficient business integration management; it comprehensively strengthened the corporate ability to manage risks in terms of improving the financial system, expanding the scope of internal audit, strengthening efficiency supervision, and strictly controlling legal risks. Through a series of measures, the Company achieved a more complete management mechanism and system, more effective management methods and means, and more stable operations management and control. A scientific and standardized corporate management system that features complete system and efficient operation has basically been developed.

The Company shall comply with the disclosure requirements of the *Guidelines No. 14 of the Shenzhen Stock Exchange on Industry Information Disclosure—Listed Companies Engaging in Business Related to Food & Liquor and Wine Production*.

For the Company's brand operations, please refer to the previous "Overview". In order to realize the value return of "Luzhou Laojiao" brands and promote the implementation of the "competitive marketing" strategy, the Company implemented the operational integration of mid- and high-end products. Since the reporting period, the Company has reclassified the products based on the sales price. The product classification was changed to "mid- and high-end liquor" and "other liquor" from "high-, mid- and low-end liquor" in the previous reporting period. The details are as follows:

| Main product types       | Classification criteria                             | Representative brand name   |
|--------------------------|---|---|
| Mid- and high-end liquor | Tax-inclusive sales price $\geq$ CNY 150 per bottle | National Cellar 1573, Luzhou Laojiao Tequ, and Century-old Luzhou Laojiao Jiaoling Baijiu |
| Other liquor             | Tax-inclusive sales price $<$ CNY 150 per bottle    | Luzhou Laojiao Touqu and Luzhou Laojiao Erqu  |

Main sales models:

Currently, the Company has two main sales models:

1. Traditional channel operation model: It is mainly authorized distribution of the offline distributors. The Company establishes cooperative relationships with the distributors by product lines and regions. The

Company directly supplies goods to the distributors, and then distributors sell them to consumers and terminal outlets.

2. Emerging channel operation model: It is mainly online sales operations. The Company establishes cooperative relationships with e-commerce platforms, self-media and webcasters, and sells the goods to consumers through flagship stores, specialty stores, live streaming rooms on online platforms and other network terminals.

Distribution models:

Applicable  N/A

### 1. Main sales models

Unit: CNY

|                                     | Operating Revenue | Cost of sales    | Gross profit margin | YoY change of operating revenue | YoY change of cost of sales | YoY change of gross profit margin |
|-------------------------------------|-------------------|------------------|---------------------|---------------------------------|-----------------------------|-----------------------------------|
| By sales model                      |                   |                  |                     |                                 |                             |                                   |
| Traditional channel operation model | 15,693,989,192.05 | 2,557,557,746.19 | 83.70%              | 5.47%                           | -8.20%                      | 2.43%                             |
| Emerging channel operation model    | 753,971,377.17    | 153,876,260.78   | 79.59%              | 2.56%                           | -18.37%                     | 5.23%                             |

### 2. Distributors

Unit: Number

| Region   | Number of distributors at the end of the reporting period | Increased number during the reporting period | Decreased number during the reporting period | YoY change of number of distributors (%) | Reason for any significant change |
|----------|---|--|--|--|-----------------------------------|
| Domestic | 2047  | 85   | 341  | -11.12                                   |                                   |
| Overseas | 174   | 13   | 0  | 8.07                                     |                                   |

### 3. Main settlement method for distributors and distribution method;

The Company's main settlement method for distributors is payment before delivery. The distribution method is authorized distribution.

### 4. Top five distributors;

The Company had no accounts receivable from the top five distributors at the end of the period. For details, please refer to Section IV 2.8 "Main customers and suppliers".

Store sales terminals accounted for more than 10%

Applicable  N/A

Online direct sales

Applicable  N/A

For the sales of the Company's main products, please refer to Section IV 2.2 "Business segment, products or geographical segments contributing over 10% of the operating revenues or profits". The Company's complete series of products are sold online. Its main cooperation platforms included JD.com and Tmall.

Sales price of main products contributing over 10% of the total operating revenues for the current period changed by more than 30% from the previous reporting period

Applicable  N/A

Purchase model and purchase content

Unit: CNY

| Purchase model  | Purchase content      | Amount of main purchase content |
|---|-----------------------|---------------------------------|
| Organic raw grains are purchased through cooperative model and supplied by organic raw grain bases; other raw grains and packaging materials are purchased through bid invitation | Raw materials         | 3,050,165,302.42                |
| Purchase based on the unified pricing of the National Development and Reform Commission and the price bureau, and purchase through bid invitation                                 | Fuels and energies    | 87,896,952.21                   |
| Purchase through bid invitation   | Low-value consumables | 53,045,147.83                   |

The purchase of raw materials from cooperatives or farmers accounted for more than 30% of the total purchase amount

Applicable  N/A

The price of main raw materials purchased externally changed by more than 30% year-on-year

Applicable  N/A

Main production model:

The Company's main production model is self-production.

Commissioned processing and production

Applicable  N/A

Main breakdown items of cost of sales

For the Company's cost of sales, please refer to Section IV 2.5. "Breakdown of cost of sales".

Production volume and inventory

### 1. Production volume, sales volume and inventory of main products

| Product classification | Production volume (ton) | Sales volume (ton) | Inventory (ton) | YoY change of production volume | YoY change of sales volume | YoY change of inventory | Description of major changes |
|------------------------|-------------------------|--------------------|-----------------|---------------------------------|----------------------------|-------------------------|------------------------------|
|------------------------|-------------------------|--------------------|-----------------|---------------------------------|----------------------------|-------------------------|------------------------------|



|                          |           |           |           | (%)     | (%)     |         |   |
|--------------------------|-----------|-----------|-----------|---------|---------|---------|---|
| Mid- and high-end liquor | 24,315.20 | 25,328.23 | 22,279.97 | -16.55% | -1.49%  | -4.35%  |   |
| Other liquor             | 87,104.53 | 95,586.93 | 13,574.84 | -19.89% | -18.28% | -38.46% | Inventory decreased by 38.46% year-on-year, mainly due to the Company's adjustment of production and sales plans. |

## 2. Inventory at the end of the reporting period

Unit: Ton

| Finished liquor | Semi-finished liquor (including basic liquor) |
|-----------------|---|
| 35,854.81       | 278,333.46                                    |

## 3. Capacity

Unit: Ton

| Main products | Design capacity | Actual capacity | Capacity in progress |
|---------------|-----------------|-----------------|----------------------|
| Liquor        | 170,000         | 170,000         |                      |

Note: The capacity data statistics in this table is based on the standards of basic liquor.

## 2. Analysis of main business

### 2.1. Overview

Same with the contents presented in "1.Overview" of this section.

### 2.2. Revenues and cost of sales

#### 2.2.1. Breakdown of operating revenues

Unit: CNY

|                     | 2020              |                            | 2019              |                            | YoY Change |
|---------------------|-------------------|----------------------------|-------------------|----------------------------|------------|
|                     | Amount            | As % of operating revenues | Amount            | As % of operating revenues |            |
| Total               | 16,652,854,549.80 | 100%                       | 15,816,934,272.86 | 100%                       | 5.28%      |
| By business segment |                   |                            |                   |                            |            |
| Liquor              | 16,447,960,569.22 | 98.77%                     | 15,615,719,102.43 | 98.73%                     | 5.33%      |
| Other revenues      | 204,893,980.58    | 1.23%                      | 201,215,170.43    | 1.27%                      | 1.83%      |
| By product          |                   |                            |                   |                            |            |

|                          |                   |        |                   |        |         |
|--------------------------|-------------------|--------|-------------------|--------|---------|
| Mid- and high-end liquor | 14,236,990,348.38 | 85.49% | 12,344,750,879.68 | 78.05% | 15.33%  |
| Other liquor             | 2,210,970,220.84  | 13.28% | 3,270,968,222.75  | 20.68% | -32.41% |
| Other revenues           | 204,893,980.58    | 1.23%  | 201,215,170.43    | 1.27%  | 1.83%   |
| By geographical segment  |                   |        |                   |        |         |
| Domestic                 | 16,602,974,426.77 | 99.70% | 15,674,636,458.22 | 99.10% | 5.92%   |
| Overseas                 | 49,880,123.03     | 0.30%  | 142,297,814.64    | 0.90%  | -64.95% |

## 2.2.2. Business segment, products or geographical segments contributing over 10% of the operating revenues or profits

√ Applicable  N/A

Unit: CNY

|                          | Operating Revenue | Cost of sales    | Gross profit margin | YoY change of operating revenue | YoY change of cost of sales | YoY change of gross profit margin |
|--------------------------|-------------------|------------------|---------------------|---------------------------------|-----------------------------|-----------------------------------|
| By business segment      |                   |                  |                     |                                 |                             |                                   |
| Liquor                   | 16,447,960,569.22 | 2,711,434,006.97 | 83.52%              | 5.33%                           | -8.84%                      | 2.57%                             |
| By product               |                   |                  |                     |                                 |                             |                                   |
| Mid- and high-end liquor | 14,236,990,348.38 | 1,388,286,747.48 | 90.25%              | 15.33%                          | 8.02%                       | 0.66%                             |
| Other liquor             | 2,210,970,220.84  | 1,323,147,259.49 | 40.16%              | -32.41%                         | -21.67%                     | -8.20%                            |
| By geographical segment  |                   |                  |                     |                                 |                             |                                   |
| Domestic                 | 16,602,974,426.77 | 2,815,808,975.94 | 83.04%              | 5.92%                           | -7.57%                      | 2.48%                             |

Under the circumstances that the statistical standards for the Company's main business data were adjusted in the reporting period, the Company's main business data in the current year is calculated based on adjusted statistical standards at the end of the reporting period

√ Applicable  N/A

Unit: CNY

|                          | Operating Revenue | Cost of sales    | Gross profit margin | YoY change of operating revenue | YoY change of cost of sales | YoY change of gross profit margin |
|--------------------------|-------------------|------------------|---------------------|---------------------------------|-----------------------------|-----------------------------------|
| By business segment      |                   |                  |                     |                                 |                             |                                   |
| Liquor                   | 15,615,719,102.43 | 2,974,484,362.13 | 80.95%              | 21.43%                          | 3.32%                       | 3.34%                             |
| By product               |                   |                  |                     |                                 |                             |                                   |
| Mid- and high-end liquor | 12,344,750,879.68 | 1,285,251,348.41 | 89.59%              | 22.80%                          | 1.57%                       | 2.18%                             |

|                         |                   |                  |        |        |       |       |
|-------------------------|-------------------|------------------|--------|--------|-------|-------|
| Other liquor            | 3,270,968,222.75  | 1,689,233,013.72 | 48.36% | 16.54% | 4.69% | 5.85% |
| By geographical segment |                   |                  |        |        |       |       |
| Domestic                | 15,674,636,458.22 | 3,046,516,937.67 | 80.56% | 21.04% | 5.29% | 2.90% |

#### Reasons for changing the standards

In order to realize the return of "Luzhou Laojiao" brands' value and promote the implementation of the "competitive marketing" strategy, the Company implemented the operational integration of mid- and high-end products. Since the reporting period, the Company has reclassified the products based on the sales price. The product classification was changed to "mid- and high-end liquors" and "other liquors" from "high-, mid- and low-end liquors" in the previous reporting period. For details, please refer to Section IV 1. "Overview".

#### 2.2.3. Whether revenue from sales of goods is higher than revenue of rendering services

Yes  No

| By business segment | Item              | Unit | 2020       | 2019       | YoY Change |
|---------------------|-------------------|------|------------|------------|------------|
| Liquor              | Sales volume      | ton  | 120,915.16 | 142,684.91 | -15.26%    |
|                     | Production volume | ton  | 111,419.73 | 137,865.2  | -19.18%    |
|                     | Inventory         | ton  | 35,854.81  | 45,350.24  | -20.94%    |

Reason for any over 30% YoY movements in the data above

Applicable  N/A

#### 2.2.4. Execution of significant sales contracts in the reporting period

Applicable  N/A

#### 2.2.5. Breakdown of cost of sales

By business segment

Unit: CNY

| By business segment | Item                   | 2020             |                       | 2019             |                       | YoY Change |
|---------------------|------------------------|------------------|-----------------------|------------------|-----------------------|------------|
|                     |                        | Amount           | As % of cost of sales | Amount           | As % of cost of sales |            |
| Liquor              | Raw materials          | 2,363,441,505.18 | 87.17%                | 2,618,480,096.93 | 85.42%                | -9.74%     |
| Liquor              | Labor costs            | 157,352,625.49   | 5.80%                 | 170,437,243.49   | 5.56%                 | -7.68%     |
| Liquor              | Manufacturing overhead | 190,639,876.30   | 7.03%                 | 276,500,707.96   | 9.02%                 | -31.05%    |

**2.2.6. Change in the scope of the consolidated financial statements for the reporting period** Yes  No**2.2.7. Major changes in the business, products or services in the reporting period** Applicable  N/A**2.2.8. Main customers and suppliers**

Sales to main customers of the Company

|   |                   |
|---|-------------------|
| Total sales to top five customers (CNY)   | 12,453,288,173.52 |
| Total sales to top five customers as % of the total sales                       | 74.78%            |
| Total sales to related parties among top five customers as % of the total sales | 0.00%             |

Information on top five customers

| No.   | Customer   | Sales amount (CNY) | As % of the total sales for the year |
|-------|------------|--------------------|--------------------------------------|
| 1     | Customer A | 9,633,022,654.97   | 57.85%                               |
| 2     | Customer B | 1,299,206,494.90   | 7.80%                                |
| 3     | Customer C | 920,518,461.73     | 5.53%                                |
| 4     | Customer D | 322,923,425.84     | 1.94%                                |
| 5     | Customer E | 277,617,136.08     | 1.67%                                |
| Total | --         | 12,453,288,173.52  | 74.78%                               |

Other information on main customers

 Applicable  N/A

Main suppliers of the Company

|   |                  |
|---|------------------|
| Total purchases from top five suppliers (CNY)   | 1,484,467,422.72 |
| Total purchases from top five suppliers as % of the total purchases                       | 46.52%           |
| Total purchases from related parties among top five suppliers as % of the total purchases | 0.00%            |

Information on top five suppliers

| No. | Supplier | Purchases (CNY) | As % of the total purchases for the year |
|-----|----------|-----------------|--|
|-----|----------|-----------------|--|

|       |            |                  |        |
|-------|------------|------------------|--------|
| 1     | Supplier A | 553,936,146.19   | 17.36% |
| 2     | Supplier B | 279,737,794.65   | 8.77%  |
| 3     | Supplier C | 256,713,882.01   | 8.04%  |
| 4     | Supplier D | 233,094,271.89   | 7.30%  |
| 5     | Supplier E | 160,985,327.97   | 5.04%  |
| Total | --         | 1,484,467,422.72 | 46.52% |

Other information on main suppliers

Applicable  N/A

## 2.3. Expenses

Unit: CNY

|                                     | 2020             | 2019             | YoY Change | Reason for any significant change |
|-------------------------------------|------------------|------------------|------------|-----------------------------------|
| Selling and distribution expenses   | 3,090,655,832.25 | 4,186,102,153.59 | -26.17%    |                                   |
| General and administrative expenses | 844,454,467.47   | 828,945,024.92   | 1.87%      |                                   |
| Finance expenses                    | -132,445,202.74  | -205,084,493.69  |            | Bond interest expenses            |
| R&D expenses                        | 85,858,119.80    | 71,643,099.77    | 19.84%     |                                   |

The Company shall comply with the disclosure requirements of the *Guidelines No. 14 of the Shenzhen Stock Exchange on Industry Information Disclosure—Listed Companies Engaging in Business Related to Food & Liquor and Wine Production*.

### 2.3.1. Breakdown of selling and distribution expenses

Unit: CNY

| Selling and distribution expenses  | 2020             | 2019             | YoY Change | Reason for any significant change   |
|------------------------------------|------------------|------------------|------------|---|
| Advertising expenses               | 1,316,519,804.16 | 1,403,889,542.35 | -6.22%     |   |
| Sales promotion expenses           | 1,074,611,735.49 | 1,859,984,308.36 | -42.22%    | Decreased product promotion activities due to the pandemic                          |
| Warehousing and logistics expenses | 92,177,677.09    | 267,723,621.05   | -65.57%    | Classification of logistics expenses as contract performance costs in cost of sales |
| Labor costs                        | 324,598,768.07   | 289,156,593.78   | 12.26%     |   |

|       |                |                |         |
|-------|----------------|----------------|---------|
| Other | 282,747,847.44 | 365,348,088.05 | -22.61% |
|-------|----------------|----------------|---------|

### 2.3.2. Breakdown of advertising expenses

Unit: CNY

| Advertising  | Expenses       |
|--|----------------|
| Online advertising (exclusive of TV advertising)   | 198,541,850.17 |
| Offline advertising  | 432,817,581.52 |
| TV advertising   | 361,328,286.31 |
| Other (inclusive of branding ideas, exhibitions & showcases, advertising materials, activity planning, etc.) | 323,832,086.16 |

### 2.4. R&D investments

√ Applicable  N/A

Currently, the Company has more than 20 national, provincial and municipal scientific and technological innovation platforms, including the National Engineering Research Center of Solid-State Brewing, the National Industrial Design Center, the National Postdoctoral Workstation, the Sichuan Baijiu Brewing Institute of Technologies, and the Liquor Making Bio-Technology & Application of Key Laboratory of Sichuan Province. It has developed a multi-field and all-round system of scientific and technological innovation platforms with the National Engineering Research Center of Solid-State Brewing as the core of R&D, covering basic R&D, talents cultivation, and engineering transformation. In 2020, the Company, with the scientific and technological platforms as the support and scientific and technological projects as the lever, promoted the R&D of common key technologies in the industry focusing on key technology fields such as modern agriculture, circular economy, intelligent brewing, food safety, and flavor and health. Some project technologies have been applied and transformed in production, and produced significant economic benefits and social value, playing an important role in driving the Company's sustainable and stable development.

#### Information about R&D investments

|  | 2020           | 2019          | YoY Change |
|--|----------------|---------------|------------|
| Number of R&D personnel                    | 474            | 454           | 4.41%      |
| R&D personnel as % of total employees      | 14.23%         | 14.06%        | 0.17%      |
| R&D investments (CNY)                      | 112,418,055.64 | 86,837,791.61 | 29.46%     |
| R&D investments as % of operating revenues | 0.68%          | 0.55%         | 0.13%      |
| Capitalized R&D                            | 0.00           | 0.00          | 0.00%      |

|   |       |       |       |
|---|-------|-------|-------|
| investments (CNY)   |       |       |       |
| Capitalized R&D investments as % of total R&D investments | 0.00% | 0.00% | 0.00% |

Reason for any significant YoY change in the percentage of the R&D investments in the operating revenues

Applicable  N/A

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

Applicable  N/A

## 2.5. Cash flows

Unit: CNY

| Item  | 2020              | 2019              | YoY Change |
|---|-------------------|-------------------|------------|
| Subtotal of cash inflows from operating activities  | 17,722,942,520.06 | 19,116,354,312.63 | -7.29%     |
| Subtotal of cash outflows from operating activities | 12,806,840,068.76 | 14,274,735,108.77 | -10.28%    |
| Net cash flows from operating activities            | 4,916,102,451.30  | 4,841,619,203.86  | 1.54%      |
| Subtotal of cash inflows from investing activities  | 49,450,467.66     | 62,529,093.56     | -20.92%    |
| Subtotal of cash outflows from investing activities | 2,223,910,509.48  | 4,613,226,214.50  | -51.79%    |
| Net cash flows from investing activities            | -2,174,460,041.82 | -4,550,697,120.94 |            |
| Subtotal of cash inflows from financing activities  | 1,503,947,876.16  | 2,493,834,692.00  | -39.69%    |
| Subtotal of cash outflows from financing activities | 2,420,721,436.84  | 2,400,399,307.80  | 0.85%      |
| Net cash flows from financing activities            | -916,773,560.68   | 93,435,384.20     | -1,081.18% |
| Net increase in cash and cash equivalents           | 1,815,928,536.03  | 386,279,899.10    | 370.11%    |

Explanation of why the data above varied significantly

Applicable  N/A

Net cash flows from investing activities increased by CNY 2,376,237,079.12 year-on-year, mainly due to

the decreased investments in the technical renovation project of brewing during the reporting period. Net cash flows from financing activities decreased by 1,081.18 percent year-on-year, mainly due to less funds raised through the issue of corporate bonds by the Company during the reporting period compared to last year.

Explanation of main reasons leading to the material difference between net cash flows from operating activities during the reporting period and net profit for the year

Applicable  N/A

### 3. Analysis of non-core business

Applicable  N/A

## 4. Assets and liabilities

### 4.1 Significant change of asset items

The Company has adopted the new accounting standards governing revenue or leases since 2020 and restated the beginning amounts of relevant financial statement line items in the year

Applicable  N/A

Unit: CNY

|                              | At the end of 2020 |                      | At the beginning of 2020 |                      | Change in percentage | Reason for any significant change  |
|------------------------------|--------------------|----------------------|--------------------------|----------------------|----------------------|--|
|                              | Amount             | As % of total assets | Amount                   | As % of total assets |                      |  |
| Cash and cash equivalents    | 11,624,870,340.60  | 33.21%               | 9,753,666,526.78         | 33.73%               | -0.52%               |  |
| Accounts receivable          | 1,507,852.43       | 0.00%                | 18,293,914.23            | 0.06%                | -0.06%               |  |
| Inventories                  | 4,695,663,431.25   | 13.41%               | 3,641,235,092.33         | 12.59%               | 0.82%                |  |
| Long-term equity investments | 2,477,667,171.27   | 7.08%                | 2,230,721,725.72         | 7.71%                | -0.63%               |  |
| Fixed assets                 | 6,887,108,174.72   | 19.67%               | 1,518,865,397.91         | 5.25%                | 14.42%               | Transfers from the technical renovation project of brewing to fixed assets in the current period |
| Construction in progress     | 2,012,129,880.15   | 5.75%                | 7,257,393,087.56         | 25.09%               | -19.34%              | Transfers from the technical renovation project of brewing to fixed assets in the current period |



## 4.2 Assets and liabilities measured at fair value

Applicable  N/A

Unit: CNY

| Item                                       | Opening balance | Changes in fair value through profit or loss | Changes in cumulative fair value recorded into equity | Provision for impairment | Amount of purchase | Amount of sale | Other changes | Closing balance |
|--|-----------------|--|---|--------------------------|--------------------|----------------|---------------|-----------------|
| Financial asset                            |                 |  |   |                          |                    |                |               |                 |
| 4. Investments in other equity instruments | 352,395,255.78  | -5,234,856.36                                | 242,597,560.42  |                          |                    |                |               | 347,160,399.42  |
| Total                                      | 352,395,255.78  | -5,234,856.36                                | 242,597,560.42  |                          |                    |                |               | 347,160,399.42  |
| Financial liability                        | 0.00            | 0.00   | 0.00  |                          |                    |                |               | 0.00            |

Information about other changes

Whether measurement attribution of main assets changes significantly in this year

Yes  No

## 4.3 Restricted asset rights as of the end of this reporting period

Unit: CNY

| Item                                  | Closing Balance       | Reason  |
|---------------------------------------|-----------------------|---|
| Bank deposits (CNY)                   | 55,275,277.79         | Accrued interest on term deposits   |
| Other cash and cash equivalents (CNY) | 1,400,000.00          | According to regulations of Tourism Bureau, the travel service deposit was deposited in a designated bank |
| Accounts receivables financing (CNY)  | 147,480,000.00        | Large-denomination notes put in pledge for small-denomination notes                                       |
| <b>Total</b>                          | <b>204,155,277.79</b> |   |

## 5. Investment

### 5.1. Total investment

Applicable  N/A

| Investment made in the reporting period (CNY) | Investment made in the prior year (CNY) | YoY change           |
|---|---|----------------------|
| 2,896,569,612.76                              | 5,033,329,478.98                        | -42.45% <sup>1</sup> |

Note 1: Mainly due to the decreased investments as the technical renovation project of brewing progressed towards completion in the current year.

## 5.2. Significant equity investment made in the reporting period

Applicable  N/A

## 5.3. Significant ongoing non-equity investment in the reporting period

Applicable  N/A

Unit: CNY

| Item                                    | Investment form | Whether it is a fixed asset investment | Industry of the investment project | Amount invested in the reporting period | Accumulated actual invested amount by the end of the reporting period | Capital source              | Project progress    | Projected income | Accumulated realized gains by the end of the reporting period | Reasons for not meeting project schedule and projected income | Date of disclosure (if any) | Disclosure index (if any)  |
|---|-----------------|--|------------------------------------|---|---|-----------------------------|---------------------|------------------|---|---|-----------------------------|--|
| Technical renovation project of brewing | Self-built      | Yes                                    | Liquor                             | 1,359,720,629.11                        | 7,722,411,427.18  | Fund-raising+self-financing | 96.00% <sup>1</sup> | 0.00             | 0.00 <sup>2</sup>   | N/A   | 2 June 2020                 | Announcement No. 2020-17 on Increasing the Investment in the Technical Renovation Project of Brewing |
| Total                                   | --              | --                                     | --                                 | 1,359,720,629.11                        | 7,722,411,427.18  | --                          | --                  | 0.00             | 0.00  | --  | --                          | --   |

Note 1: As of December 2020, construction was completed for the project, with the project image progress reaching 100%. Quality inspection and acceptance of the relevant sub-projects was finished. Other inspection and acceptance, as well as settlement were progressing in an orderly manner.

Note 2: When the project is put into operation, it will mean new production capacities of 100,000 tons of quality solid pure-grain liquor and 100,000 tons of leaven in addition to a new storage capacity of 380,000 tons of liquor per year expectedly.

## 5.4. Financial assets investment

### 5.4.1. Securities investment

Applicable  N/A

Unit: CNY

| Category of securities   | Stock code | Abbreviation of securities | Initial investment cost | Accounting measurement model | Beginning book balance | Changes in fair value recognized in profit or loss | Changes in the cumulative fair value recorded into equity | Amount of purchase | Amount of sale | Profit and loss during the reporting period | Closing book balance | Accounting item                         | Capital source |
|--|------------|----------------------------|-------------------------|------------------------------|------------------------|--|---|--------------------|----------------|---|----------------------|---|----------------|
| Domestic and foreign stock   | 601211     | GTJA                       | 12,719,156.76           | Fair value measurement       | 217,756,674.52         | -11,305,917.13                                     | 193,731,600.63  | 0.00               | 0.00           | 4,593,028.83                                | 206,450,757.39       | Investments in other equity instruments | Own fund       |
| Domestic and foreign stock   | 002246     | SNC                        | 1,030,000.00            | Fair value measurement       | 11,757,933.60          | -297,075.45  | 10,430,858.15   | 0.00               | 0.00           | 85,995.53                                   | 11,460,858.15        | Investments in other equity instruments | Own fund       |
| Domestic and foreign stock   | 01983      | LZBANK                     | 51,120,000.00           | Fair value measurement       | 89,076,363.20          | 6,485,462.35                                       | 44,441,825.55   | 0.00               | 0.00           | 4,700,800.00                                | 95,561,825.55        | Investments in other equity instruments | Own fund       |
| Other securities investments held at the end of the reporting period |            |                            | 0.00                    | --                           | 0.00                   | 0.00   | 0.00  | 0.00               | 0.00           | 0.00  | 0.00                 | --                                      | --             |
| Total  |            |                            | 64,869,156.76           | --                           | 318,590,971.32         | -5,117,530.23                                      | 248,604,284.33  | 0.00               | 0.00           | 9,379,824.36                                | 313,473,441.09       | --                                      | --             |

### 5.4.2. Derivative investment

Applicable  N/A

No such cases in the reporting period

## 5.5. Use of funds raised

√ Applicable □ N/A

### 5.5.1. General use of funds raised

√ Applicable □ N/A

Unit: CNY 10,000

| Year   | Method                            | Total amount of funds raised | Total amount of raised funds used in the reporting period | Accumulated amount of raised funds used | Total amount of re-purposed funds raised in the reporting period | Total amount of accumulated re-purposed funds raised | Accumulated re-purposed funds raised as % of total funds raised | Total amount of unused funds raised | Purpose and direction of unused funds raised  | Amount of funds raised idle for more than two years |
|--|-----------------------------------|------------------------------|---|---|--|--|---|-------------------------------------|---|---|
| 2017   | Non-public offering of shares     | 295,273.5                    | 51,205.75   | 309,433.01                              | 0  | 0  | 0.00%   | 4.11                                | Deposited in special account for raised funds | 0   |
| 2019   | Public offering of corporate bond | 249,000                      | 16,924.69   | 217,306.18                              | 0  | 0  | 0.00%   | 35,377.14                           | Deposited in special account for raised funds | 0   |
| 2020   | Public offering of corporate bond | 149,400                      | 13,062.12   | 13,062.12                               | 0  | 0  | 0.00%   | 139,826.74                          | Deposited in special account for raised funds | 0   |
| Total  | --                                | 693,673.5                    | 81,192.56   | 539,801.31                              | 0  | 0  | 0.00%   | 175,207.99                          | --  | 0   |
| Notes for general use of funds raised  |                                   |                              |   |   |  |  |   |                                     |   |   |
| The total amounts of used and unused funds raised include interest on the funds. |                                   |                              |   |   |  |  |   |                                     |   |   |

### 5.5.2. Fund raised for committed projects

√ Applicable □ N/A

Unit: CNY 10,000

| Committed investment | Whether | Total | Adjusted | Investment | Accumulated | Investment | Date of | Realized | Whether | Whether |
|----------------------|---------|-------|----------|------------|-------------|------------|---------|----------|---------|---------|
|----------------------|---------|-------|----------|------------|-------------|------------|---------|----------|---------|---------|

| projects and direction of over-raised funds   | the project has been changed (including partial change) | amount of funds raised for committed investment | Investment total amount (1) | Amount in the reporting period | input by the end of the reporting period (2) | Progress by the end of reporting period (3) = (2)/(1) | the projects reach the working condition for their intended use | benefits during the reporting period | the expected benefits have been achieved | the feasibility of the project has changed significantly |
|---|---|---|-----------------------------|--------------------------------|--|---|---|--------------------------------------|--|--|
| Committed investment projects   |   |   |                             |                                |  |   |   |                                      |  |  |
| Technical Renovation Project of Brewing Phrase I                                    | No  | 295,273.5                                       | 295,273.5                   | 51,205.75                      | 309,433.01                                   | 104.80%   | —   | 0                                    | N/A                                      | No   |
| Technical Renovation Project of Brewing Phrase II                                   | No  |   |                             | 11,391.26                      | 211,772.75                                   |   | —   | 0                                    | N/A                                      | No   |
| Project of Intelligent Upgrading and Building of the Information Management System  | No  |   |                             | 2,344.62                       | 2,344.62                                     |   | —   | 0                                    | N/A                                      | No   |
| Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base       | No  | 398,400   | 398,400                     | 12,043.3                       | 12,043.3                                     | 57.82%  | —   | 0                                    | N/A                                      | No   |
| Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base | No  |   |                             | 4,207.62                       | 4,207.62                                     |   | —   | 0                                    | N/A                                      | No   |
| Subtotal of committed investment projects   | --  | 693,673.5                                       | 693,673.5                   | 81,192.55                      | 539,801.3                                    | --  | --  | 0                                    | --                                       | --   |
| Use of over-raised funds  |   |   |                             |                                |  |   |   |                                      |  |  |
| None  |   |   |                             |                                |  |   |   |                                      |  |  |
| Repayment of bank loan (if any)   | --  | 0   | 0                           | 0                              | 0  |   | --  | --                                   | --                                       | --   |
| Supplementing working capital (if any)  | --  | 0   | 0                           | 0                              | 0  |   | --  | --                                   | --                                       | --   |
| Subtotal of use of over-raised funds  | --  | 0   | 0                           | 0                              | 0  | --  | --  |                                      | --                                       | --   |
| Total   | --  | 693,673.5                                       | 693,673.5                   | 81,192.55                      | 539,801.3                                    | --  | --  | 0                                    | --                                       | --   |
| Situation and reason for not reaching plan  | N/A   |   |                             |                                |  |   |   |                                      |  |  |

|   |  |
|---|--|
| progress or expected benefits (by specific items)                         |  |
| Significant changes of project feasibility                                | N/A  |
| Amount, purpose and progress of over-raised funds                         | N/A  |
| Change of implementation site of investment projects                      | N/A  |
| Adjustment of the implementation mode of raised funds investment projects | N/A  |
| Situation of advance investment and replacement                           | Applicable   |
|   | <p>Funds raised through non-public offering of shares: On 30 November 2017, the Company held the 24<sup>th</sup> meeting of the eighth board of directors and the 13<sup>th</sup> meeting of the eighth supervisory committee. At the meetings, the <i>Proposal on Using Raised Funds to Replace Advance Investments</i> was considered and approved, which agreed to the Company's replacement of the advance investment of self-raised funds of CNY 581.7750 million using the raised funds. Non-executive directors of the Company issued independent opinions of consent. Sichuan Huaxin (Group) CPA Firm (Limited Liability Partnership) verified the matter on the advance investments in the raised funds investment projects with self-pooled funds and produced the <i>Special Report</i> (CHXZ (2017) No. 534) on 14 November 2017.</p> <p>Funds raised through public offering of corporate bond: On 14 May 2019, the Company held the 1<sup>st</sup> special meeting of shareholders in 2019, which considered and approved the <i>Proposal on Requesting the Company's General Meeting to Fully Authorize Chairman of the Board or Other Personnel Authorized by the Board to Go Through Procedures for the Public Offering of Corporate Bond</i>. According to the Proposal, in the event of inconsistency between the payment of the raised funds and the progress of the project implementation, the Company may make advance investments using other funds (including self-owned funds, bank project loans, etc.) according to the actual situation, and replace fund investment other than capital funds when the raised funds are in place. As of 31 December 2020, the Company had replaced advance investments of self-pooled funds of CNY 573.1785 million using the raised funds.</p> |
| Idle raised funds used for temporary supplementary liquidity              | N/A  |
| Amount and reason for surplus of funds raised                             | N/A  |
| Purpose and whereabouts of unused funds raised                            | The idle funds raised through non-public offering of shares are deposited in the special account No. 606036135 for raised funds in the Chengdu Branch of China Minsheng Banking Corp., Ltd. and the special account No. 028900178710606 for raised funds in the Xiti North Road Sub-branch of China Merchants Bank Co., Ltd. As  |

|   |  |
|---|--|
|   | <p>authorized by the Board of Directors, the Company converted some idle raised funds into term deposits for the purpose of cash management.</p> <p>The idle funds raised through public offering of corporate bond are deposited in the special account No. 9550880046723000135 for raised funds in the Chengdu Branch of China Guangfa Bank Co., Ltd., the special account No. 517517460013000000860 for raised funds in the Luzhou Branch of Bank of Communications Co., Ltd., the special account No. 631395395 for raised funds in the Chengdu Branch of China Minsheng Banking Corp., Ltd., and the special account No. 028900140410888 for raised funds in the Fucheng Avenue Sub-branch of the Chengdu Branch of China Merchants Bank Co., Ltd. As authorized by the Board of Directors, the Company converted some idle raised funds into term deposits for the purpose of cash management.</p> |
| Problems and other situation when raised funds are used and disclosed | None   |

Note 1: The total amount of committed raised funds investment is CNY 6,936,735,000, including CNY 2,952,735,000 actually raised through a non-public offering of shares, as well as CNY 3,984,000,000 actually raised through the public offerings of corporate bond respectively in August 2019 and March 2020. Because there were uncertainties in the approval and issue time for public offerings of corporate bond in the review of issue plans, in order to ensure smooth progress of the projects and protect the interests of the Company's shareholders, the investment sequence and specific amounts of the corresponding raised funds should be determined by the Chairman of the Board as authorized by the general meeting or other persons as authorized by the Board of Directors within the scope of the four projects of Technical Renovation Project of Brewing Phase II, Project of Intelligent Upgrading and Building of the Information Management System, Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base, and Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base according to the actual needs, provided that the capital funds for each project is no less than 20% of the total investment. Therefore, the total amount of committed raised funds investment is not stated separately for the aforesaid four projects.

Note 2: As of December 2020, construction was completed for the Technical Renovation Project of Brewing, with the project image progress reaching 100%. Quality inspection and acceptance of the relevant sub-projects was finished. Other inspection and acceptance, as well as settlement were progressing in an orderly manner. When the project is put into operation, it will mean new production capacities of 100,000 tons of quality solid pure-grain liquor and 100,000 tons of leaven in addition to a new storage capacity of 380,000 tons of liquor per year expectedly.

Note 3: The Project of Intelligent Upgrading and Building of the Information Management System was in the process. It does not generate income on a separate basis because it is a management-related project.

Note 4: Construction was completed for the Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base in December 2020. Quality inspection and acceptance of the project was finished. Other inspection and acceptance, as well as settlement were progressing in an orderly manner. The

project does not generate income on a separate basis for it is a supporting project of the Technical Renovation Project of Brewing.

Note 5: Construction was completed for the Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base in December 2020. Quality inspection and acceptance of the project was finished. Other inspection and acceptance, as well as settlement were progressing in an orderly manner. The project does not generate income on a separate basis for it is a supporting project of the Technical Renovation Project of Brewing.

### 5.5.3. Re-purposed funds raised

Applicable  N/A

No such cases in the reporting period

## 6. Sale of major assets and equity interests

### 6.1. Sale of major assets

Applicable  N/A

No such cases in the reporting period.

### 6.2. Sale of major equity interests

Applicable  N/A

## 7. Analysis of major subsidiaries

Applicable  N/A

Main subsidiaries and joint companies with an over 10% influence on the Company's net profit

Unit: CNY

| Company name                              | Company type | Business scope                                     | Registered capital | Total assets     | Net assets       | Operating Revenue | Operating profit | Net profit       |
|---|--------------|--|--------------------|------------------|------------------|-------------------|------------------|------------------|
| Sales Company of Luzhou Laojiao Co., Ltd. | Subsidiary   | Luzhou Laojiao series unified package liquor sales | 100,000,000.00     | 5,173,039,393.83 | 2,182,050,834.97 | 16,060,984,512.87 | 5,885,730,076.57 | 4,399,701,210.09 |



Acquisition and disposal of subsidiaries during the reporting period

Applicable  N/A

Notes for major holding companies and joint stock companies

## 8. Structured entities controlled by the Company

Applicable  N/A

## 9. Outlook for the future development of the Company

### 9.1 Industry landscape and trends

According to the data of National Bureau of Statistics, total production volume of brewed liquor by liquor companies above the scale designated by the Bureau was 7.4073 million kl during January-December 2020, down by 2.46% year-on-year; total sales revenue reached CNY 583.639 billion, up by 4.6% year-on-year; total profit of CNY 158.541 billion was realized, up by 13.35% year-on-year.

Since 2020, due to the impact of globalization, anti-globalization and the COVID-19 pandemic, the world economy has fluctuated sharply. Meanwhile, China's labor force is at a turning point. The dividends of the peak birth period from 1960s to 1970s will gradually disappear as the labor withdraws from the market. The liquor industry is moving forward amid the collision and squeeze of the economic cycle, population cycle, industry cycle, and the impact of the pandemic. On the other hand, with the starting momentum of the "domestic economic circulation" and "dual circulation", China's economy will further release its market potential. The formation of urban clusters will accelerate. The consumption demands of emerging consumer groups will continue to upgrade. These will bring development room and opportunities for China's liquor industry. In this context, the liquor industry will enter a new round of development cycle. In the future, the total volume will shrink. Consumption will be iteratively upgraded. The market share will be concentrated in the leaders' hands. The interference of uncertainty factors from time to time may become the norm in the industry. The industry competition will be the competition between systems. The shortcomings in corporate supply chain and ecological chain must be made up for. The era of joint operations of strategic product line mix and market has arrived.

### 9.2 Company's development strategy

#### 9.2.1. Development opportunities in the future

A. After the test of the pandemic, China's economy has fully demonstrated the vigorous vitality, strong resilience and huge potential. With a complete science and technology industrial system, efficient social management system and manufacturing and construction capabilities, China will continue to maintain a momentum of high-speed and high-quality development in the future, and achieve a historic leap from low- and middle-income country to high-income country. As an outstanding representative of the national industries, liquor will better enjoy the spillover dividends brought about by China's economic and cultural

rise, while benefit from the huge potential of China's consumer market in the future.

B. As the economic driving force shifts from outside to inside, the external environment for the development of national industries is undergoing profound changes. The deep inland location provides a safer and more stable ecological environment and development environment. The development of information technology and transportation has completely reversed the disadvantages of the inland location; the brewing techniques that have been passed down for thousands of years provide valuable dominance such as full independent intellectual property rights, independent pricing power, independent supply chain, and independent raw materials; the relatively higher domestic market share provides a strong market moat amid the impact of the pandemic and the economic downturn cycle of western countries; the relatively dispersed industry concentration provides leading enterprises with vast space to become bigger and stronger. The liquor industry will expand its advantages in the new cycle of the restructuring of international industrial and trade relations and the adjustment of national economic policies, creating opportunities for Luzhou Laojiao to establish and expand its advantages.

C. Since the "13th Five-Year Plan", the Company has firmly implemented the "12345" development strategy and made a series of major breakthroughs: The sales results repeatedly hit record highs. The value of the Company's famous liquor brands strongly returned. Leaping improvement was made in solid-state brewing capacity. Sufficient and competent talent team was in place. Key projects were vigorously advanced. All of these have laid a solid foundation for the Company's sound development in the future.

### **9.2.2. Possible challenges and risks in the future**

A. Pandemic risk: The outbreak of the COVID-19 pandemic, which started at the end of 2019, has hugely impacted the global economy and changed people's consumption patterns and behavior habits, thus causing a greater impact on the consumption environment and product shelf sales of the liquor industry. Since the second half of 2020, the spread of the pandemic has never stopped. Due to the emergence of various virus variants, the domestic prevention and control of pandemic cannot be slackened, bringing certain uncertainty to the liquor industry.

B. Economic risk: In recent years, there are frequent frictions in international trade. The macroeconomic environment remains difficult. If the total economic demand declines, it will affect the residents' per capita disposable income and their willingness to consume, which will have a negative impact on the liquor industry.

C. Policy risk: As the pandemic gradually eases, the world economy returns to normal, and mainstream countries gradually withdraw the loose monetary policies, which may affect China's relevant policies. In the short term, the liquor consumption market will be affected.

### **9.2.3. The Company's "14th five-year" development strategy**

Focusing on the development concepts of "leveraging advantages, making up for shortcomings, improving quality, enhancing strength, and seeking revitalization", the Company, after prudent research, has formulated the "14th five-year" strategic plan: "136" strategy.

**Adhere to one development objective:**

Adhere to the objective of returning to China's liquor industry "top three".

**Adhere to three major development principles:**

The first is to adhere to brand guidance and vigorously enhance the value of famous liquor brands in China. The second is to adhere to the foundation of quality and vigorously build the core production area of famous liquor brands in the world. The third is to adhere to culture casting and vigorously build a pilgrimage site for Chinese liquor culture.

**Construct a "six-in-one" Luzhou Laojiao**

The first is to build the brand of Luzhou Laojiao. Focusing on the development arrangement of "dual brands, three product series, and major single products", the Company shall continue to enhance the value of the high-end brand National Cellar 1573, promote the value return of famous Luzhou Laojiao brands, and lead the direction of appealing to more younger consumers and becoming more international and stylish with brand innovation.

The second is to build the quality of Luzhou Laojiao. The Company shall build a reputation of quality, adhere to brewing with organic raw grains, create new taste and flavors, increase trust in quality, and satisfy taste preferences. It shall establish a model for quality, expand the scope of quality supervision, and improve the innovative quality traceability system covering the entire product life cycle. It shall strengthen standard guidance, consolidate the image of standard liquor for Chinese liquor appreciation, and become a setter of Chinese liquor quality standards.

The third is to build the culture of Luzhou Laojiao. The Company shall consolidate its leading position in the liquor industry, enhance cultural self-confidence, create new cultural expressions, accelerate the integration of culture and tourism, and enhance cultural identity. It shall create a good industrial and ecological culture on behalf of the industry elites, tell the Chinese story of liquor on behalf of the Chinese liquor, and build the world-class clusters of cultural landscape on behalf of the national industries. It shall create a business card of liquor culture that integrates the wharf culture of the Yangtze River, the cave storage culture of liquor, the culture of liquor factory, the culture of folk customs and sacrifice, the local culture of Bashu, the culture of liquor rituals, and the intangible culture of craftsmanship.

The fourth is to build an innovative Luzhou Laojiao. The Company shall strengthen scientific and technological innovation, build a strong scientific and technological platform, focus on the transformation of achievements, attach importance to scientific and technological promotion, and provide theoretical and practical support for the upgrading of Chinese liquor technology. It shall strengthen management innovation, optimize the allocation of elements, improve the policies and procedures, use innovative means to improve the precise, systematic and professional management, and improve the modern enterprise management system. It shall strengthen marketing innovation, keep pace with the market, accelerate the innovation of products, strategies, organizations, channels, services and models, and stimulate the vitality of market expansion.

The fifth is to build the digital intelligence of Luzhou Laojiao. The Company shall integrate the elements

of major business system by digital means, open up the value chain of management, purchase and supply, production, quality inspection, marketing and service, comprehensively improve the business decision-making in a forward-looking, accurate, timely and systematic manner, improve management efficiency, prevent and control operation risks, and strengthen the linkage between production and sales. It shall intensify the integrated application of intelligent equipment and systems in the entire industry chain, solidify knowledge and experience with scientific and technological means, improve high-quality production capacity, control operating costs, and become a leader in the intelligent technology revolution and a model enterprise for innovation and upgrading of industrial models.

The sixth is to build a harmonious Luzhou Laojiao. The Company shall insist on sharing with employees, strengthen the leadership of the Communist Party of China, enhance organizational construction, increase incentives for talent, promote the "Three Ones" talent project, improve the efficiency of human resources, and build the "employees paradise" and "talent paradise" of Luzhou Laojiao. It shall persist in developing with the society, optimize the industrial ecology, build a resource platform, proactively help the poverty stricken students and facilitate local development, and share and grow with shareholders, investors, partners, the media and related parties. It shall adhere to the dependence on the environment, promote the green development concept of "respect for heaven and earth, law of nature, and care for life" in liquor brewing, build an industrial model of circular economy, create a good internal and external environment that conforms to national strategies, responds to social expectations, and promotes the sustainable development of the industry, and guide the green and integrated ecological development of the liquor industry.

### **9.3 Completion of the business plan in 2020**

In 2020, the Company achieved the operating revenue of CNY 16.653 billion, up by 5.28% year-on-year. The net profit attributable to shareholders of the listed company reached CNY 6.006 billion, up by 29.38% year-on-year. The Company has successfully completed its business target of "maintaining the positive momentum and industrial reputation, and taking efforts to narrow the gap between itself and industry leaders" as set by the board of directors at the beginning of the year.

### **9.4 Business plan in 2021**

According to the *Outline of Production and Operation in 2021* reviewed and approved by the board of directors, the Company will closely center on the development theme of "refined management to increase benefits, and precision marketing to develop the market", and strive to achieve a year-on-year increase in operating revenue by at least 15%. (The business plan in 2021 is formulated by the Company according to the 14th five-year strategic plan and based on its business capabilities. It does not represent the Company's profit forecast for 2021, and is not a commitment by the Company. Whether it can be achieved depends on many factors such as changes in market conditions and efforts of the operation team. There are great uncertainties. Investors are kindly reminded to pay special attention).

The main measures are as follows:

#### **9.4.1 Refined management to increase benefits**

**The first is to achieve refined development and management.** It shall be ensured that the strategy is

implemented in a refined manner. The Company shall adhere to strategy guidance, and systematically promote the interpretation and implementation of the strategy. Centering on the requirements of the strategy, it shall clarify objectives, decompose tasks, take responsibilities, and enhance benefits. It shall be ensured that decisions are made in a refined manner. It shall comprehensively strengthen the construction of the shareholders' general meeting, the board of directors, the board of supervisors and the management, and ensure that decisions are made in a forward-looking, practical, precise, efficient and targeted manner. It shall be ensured that the plan is executed in a refined manner. It shall strengthen the authority, guidance and systematicity of the production and operation plan, ensure that the plan is executed in a precise, comprehensive and systematic manner, and make management more stable, balanced, rigorous and efficient.

**The second is to achieve refined basic management. Organization construction shall be strengthened.** Grass-roots units and Party organizations shall focus on ideological and business guidance, and make a good advance, open up test fields, and set a new model for improving management benefits. System construction shall be strengthened. Taking the digital management tools, systematic management systems, and standard management procedures as the lever, the Company shall improve the refined management, and develop benefit-oriented closed-loop management. Risk prevention and control shall be strengthened. It shall comprehensively implement the requirements of the Party style and clean government construction, and enhance all employees' awareness and ability to resist corruption risks; it shall improve the refined financial management, and make good management of personnel, things and money, and prevent risks with the goal of increasing benefits; it shall safeguard the three lines of defense for comprehensive management and stability maintenance, safe production, and environmental protection in an all-around manner.

**The third is to achieve refined talent management.** Refined incentive assessment shall be carried out. The Company shall implement promotion assessment, salary adjustment and special incentives by step according to different levels and classifications, create a good environment that encourages innovation, gives rewards for increasing benefits, and takes the initiative to make suggestions, and give full play to the role of incentive assessment. Refined echelon training shall be carried out. It shall steadily promote the younger and professional talent team, optimize the talent structure, and improve the personnel efficiency ratio. Talent shall be selected and trained in a refined manner. In the introduction and utilization of talent, it shall control the number of talent, improve the quality of talent, and make full use of the existing talent. It shall allocate key talent centering on key projects, innovation work and weak processes.

**The fourth is to achieve refined quality management.** The chain of refined supervision shall be expanded. The Company shall make every effort to enhance the role of regulation and guidance of quality supervision, and guide the layout and development of the industrial chain with quality supervision traceability. Refined support of science and technology shall be strengthened. It shall give full play to the advantages of the scientific and technological innovation platform, carry out joint development and transformation of technological achievements centering on key fields, and inject scientific and technological power into quality upgrades. Attention shall be paid to the refined presentation of process. It shall improve the brewing process, expand organic production, and improve technical standards. It shall present the scarcity and safety of resources, and transform quality and technical advantages into

market benefits.

**The fifth is to achieve refined management of resources.** Culture shall be inherited and promoted. The Company shall focus on and publicize the advantages of cultural resources. It shall improve cultural positions, enrich cultural connotations, and enhance cultural style. It shall establish cultural images such as the "700-year-old enterprise" and the "23-generation brewing company". Brewing resources shall be properly managed and used. It shall protect and inherit the traditional brewing resources of the "Dual National Treasures", conduct a comprehensive inventory, unified planning and refined use of featured brewing resources, and provide sufficient resources for brewing production, brand building, product development, and talent cultivation. Industrial resources shall be expanded and used. It shall leverage the platform advantages of Luzhou Laojiao as a national enterprise, a veteran liquor enterprise, and a local leading enterprise. It shall rely on high-end resources to widen the image window, expand business fields, gather development elements, and build a global resource platform.

#### **9.4.2 Precision marketing to develop the market**

**The first is to achieve precise positioning.** Market changes shall be grasped precisely. Centering on the strategic marketing objectives, the Company shall strengthen market analysis and strategy research, accurately grasp the trend of economic policies, and provide a forward-looking, reliable, systematic and detailed basis for marketing decisions. It shall fully respect the market, follow the trend, and take prudent actions. It shall strive for progress while ensuring stability, and firmly grasp the historic opportunity of catching up and surpassing. Marketing strategy shall be implemented precisely. Centering on the Company's strategy and long-term objectives, it shall formulate and refine the marketing and brand strategies, and improve the commensurate management system, product system, security system, advertising strategy and resource planning. Brand and product positioning shall be strengthened precisely. Adhering to "brand focus", it shall drive the overall return of the value of Luzhou Laojiao brands guided by the promotion and activation of National Cellar 1573. On the basis of consolidating the positions of existing brands and product, it shall precisely seize the development space of the middle price zone, and expand the three-dimensional competitive advantages of the brand pyramid.

**The second is to achieve precise communication.** New methods of communication shall be created. The Company shall leverage new media and new channels to carry out accurate communication, achieve precise reach and efficient interaction with target groups, and improve consumer conversion efficiency. Attention shall be focused on resource allocation. Adhering to the "resources focus", it shall plan the launch of advertisements from a strategic and overall perspective, highlight the core brands and key tasks, and give play to the advantages of integrated marketing. Integration and linkage shall be strengthened. It shall strengthen online and offline synergy, organize various brands, product series and teams to carry out joint actions in China, and maximize the pull of brand upgrading and the launch benefits of advertisements.

**The third is to achieve precise layout.** Scale effect shall be expanded precisely. The Company shall fully grasp the favorable situation of the liquor market, and focus on expanding the scale and increasing the volume. It shall strengthen the sharing of benefits, and expand the market space. Precise attention shall be focused on the model market. It shall focus on the layout of city clusters, economic circles and central cities, create a core model market with national influence, and develop a national layout that

generates development momentum for surrounding areas. Core customers shall be developed precisely. It shall continue to expand and optimize the core customer alliance, make high-quality customers with strength, pursuit and principle continue to gather in Luzhou Laojiao, and develop joint market forces with different priorities, equality and complementarity, and co-building and sharing.

**The fourth is to achieve precise empowerment.** Audit supervision shall be strengthened. The Company shall improve the early warning mechanism for audit supervision, and develop an audit supervision mechanism that runs through the business value chain. It shall expand the Company's supervision channels for distributors, consumers and other related parties in the market, and secure the marketing strategies and expenses precisely. Direct marketing channels shall be deepened. With the help of technologies such as big data, blockchain, and Internet of Things, it shall create and implement precise, diversified and normalized marketing campaigns. Organizational effectiveness shall be improved. It shall promote the evolution of the sales business system and model, and develop a chain of marketing management organizations that is synergistic, professional, efficient, standard, rigorous, and excellent in style.

**The fifth is to achieve precise services. Greater value shall be create for customers.** Adhering to the "customer-centric theory", the Company shall promote a marketing culture centered on "value creation", and work with customers to create a high-quality platform for building wealth, acquiring feelings, enhancing capabilities, expanding social circle, and sharing resources. Better products shall be presented to customers. It shall formulate and implement a mid- and long-term product innovation plan, and make good arrangements for product appearance, alcohol content, taste and selling point. It shall shorten the R&D cycle, expand customized production, and create new product categories to satisfy consumer needs with standards that exceed expectations. Growth space shall be expanded for the front line. With the goal of optimizing the team structure, selecting outstanding talent, and improving organizational effectiveness, it shall promote the management of the front-line sales team and upgrade the incentive model.

## 10. Visits paid to the Company for purposes of research, communication, interview, etc.

### 10.1 In the reporting period

√ Applicable  N/A

| Date of visit | Place of visit       | Way of visit | Type of visitor | Visitor       | Main inquiry information and materials provided | Index to main inquiry information                                 |
|---------------|----------------------|--------------|-----------------|---------------|---|---|
| 14 May 2020   | Company Headquarters | Other        | Other           | All investors | Industry Trends and Company                     | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |

|   |                      |              |             |                        |   |   |
|---|----------------------|--------------|-------------|------------------------|---|---|
|   |                      |              |             |                        | Performance                             |   |
| 30 June 2020  | Company Headquarters | Field survey | Institution | Institutional investor | Company Performance                     | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| 30 June 2020  | Company Headquarters | Field survey | Other       | Media                  | Company Performance                     | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| 30 June 2020  | Company Headquarters | Field survey | Individual  | Individual investor    | Company Performance                     | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| 29 August 2020  | Company Headquarters | Field survey | Institution | Institutional investor | Company Performance                     | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| 17 September 2020   | Company Headquarters | Field survey | Institution | Institutional investor | Industry Trends and Company Performance | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| Number of reception   |                      |              |             |                        |   | 4   |
| Number of reception of institutions   |                      |              |             |                        |   | 50  |
| Number of reception of individuals  |                      |              |             |                        |   | 121   |
| Number of reception of others   |                      |              |             |                        |   | 9   |
| Whether to disclose or divulge material information that has not been made public |                      |              |             |                        |   | No  |



## Section V Significant Events

### 1. Profit distribution and converting capital reserves into share capital for common shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in the reporting period.

Applicable  N/A

According to the plan for profit distribution for 2019 deliberated and approved by 2019 annual shareholders' meeting, based on its total of 1,464,752,476 shares, the Company distributed a cash dividend of CNY 15.90 (tax inclusive) per 10 shares to all shareholders. The distribution plan was implemented on 24 August 2020.

| A special statement of the policy of cash dividends  |   |
|--|---|
| Whether it meets the requirements of the articles of corporation or the resolution of shareholders' meeting:   | Yes   |
| Whether the standard and proportion of dividends are clear:  | Yes   |
| Whether the relevant decision-making process and systems are complete:   | Yes   |
| Whether non-executive directors perform their duties and play their due role:  | Yes   |
| Whether the minority shareholders have the opportunity to fully express their opinions and appeals and whether their legitimate rights and interests have been adequately protected: | Yes   |
| Whether the conditions and procedures are compliant and transparent and whether the cash dividend policy is adjusted or changed:   | The Company's cash dividend policy has not been adjusted or changed in the reporting period |

Plans (or preliminary plans) for profit distribution and converting capital reserves into share capital for common shareholders for the recent three years (including the reporting period) are as following:

Preliminary plan for profit distribution for 2020: Based on its total shares, the Company is to distribute a cash dividend of CNY 20.51 (tax inclusive) per 10 shares to all shareholders.

Preliminary plan for profit distribution for 2019: Based on its total shares, the Company distributed a cash dividend of CNY 15.90 (tax inclusive) per 10 shares to all shareholders.

Preliminary plan for profit distribution for 2018: Based on its total shares, the Company distributed a cash dividend of CNY 15.50 (tax inclusive) per 10 shares to all shareholders.

Cash dividend distribution over the recent three years (including the reporting period)

Unit: CNY

| Year | Cash dividends (tax included) | Net profit attributable to common shareholders in the consolidated statement in the year | Ratio to net profit attributable to common shareholders in the consolidated statement in the year | Cash dividends in other forms | Ratio of cash dividends in other forms | Total cash dividends (including other forms) | Ratio of cash dividends (including other forms) |
|------|-------------------------------|--|---|-------------------------------|--|--|---|
| 2020 | 3,004,207,328.28              | 6,005,723,069.36   | 50.02%  | 0.00                          | 0.00%                                  | 3,004,207,328.28                             | 50.02%  |
| 2019 | 2,328,956,436.84              | 4,641,988,857.03   | 50.17%  | 0.00                          | 0.00%                                  | 2,328,956,436.84                             | 50.17%  |
| 2018 | 2,270,366,337.80              | 3,485,643,008.98   | 65.13%  | 0.00                          | 0.00%                                  | 2,270,366,337.80                             | 65.13%  |

The Company made a profit in the reporting period and the profit distributed to common shareholders of the Company was positive, but it did not put forward a preliminary plan for cash dividend distribution to common shareholders.

Applicable  N/A

## 2. Preliminary plan for profit distribution and converting capital reserves into share capital for the reporting period

Applicable  N/A

|  |                   |
|--|-------------------|
| Bonus shares for every 10 shares (share)   | 0                 |
| Dividends for every 10 shares (CNY) (tax included)                                 | 20.51             |
| Total shares as the basis for the preliminary plan for profit distribution (share) | 1,464,752,476     |
| Total cash dividends (CNY) (tax included)  | 3,004,207,328.28  |
| Cash dividends in other forms (e.g. repurchase share)                              | 0.00              |
| Total cash dividends (CNY) (including other forms)                                 | 3,004,207,328.28  |
| Distributable profit (CNY)   | 16,236,513,212.43 |

|  |        |
|--|--------|
| Percentage of cash dividends in the total distributed profit (including other forms)   | 50.02% |
| Information of the cash dividends  |        |
| The development stage of the Company is mature and the Company has major fund expenditure arrangement. When the profit distribution is carried out, the proportion of cash dividends in this profit distribution should at least reach 40%.  |        |
| Details of preliminary plan for profit distribution and converting capital reserves into share capital   |        |
| After taking minority shareholders' advice, the board of directors plans to distribute a cash dividend of CNY 20.51 (tax inclusive) per 10 shares to all shareholders based on its total of 1,464,752,476 shares, according to the Company's actual conditions. The remaining undistributed profit shall be carried forward for future distribution. |        |

### 3. Performance of undertakings

#### 3.1. Undertakings of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers fulfilled in the reporting period or ongoing by the end of this reporting period

√ Applicable  N/A

| Undertaking reasons   | Undertaking giver                           | Type of undertakings | Details of undertakings   | Undertaking date  | Term      | Particulars on the performance |
|---|---|----------------------|---|-------------------|-----------|--------------------------------|
| Stock reform undertaking  |   |                      |   |                   |           |                                |
| Undertaking made in the report of acquisition or change of interest |   |                      |   |                   |           |                                |
| Undertaking made in the reorganization of assets                    |   |                      |   |                   |           |                                |
| Undertakings given in time of IPO or refinancing                    | Luzhou Liquor Industry Investment Co., Ltd. | Restricted shares    | For the shares of Luzhou Laojiao by non-public offering purchased, I/The unit undertakes that the shares will be not transferred within 36 months from new shares offering, | 14 September 2017 | 36 months | Fulfilled                      |

|   |      |  |   |  |  |  |
|---|------|--|---|--|--|--|
|   |      |  | including but not limited to public transfer and negotiating transfer. If laws and regulations have other rules on restricted period, it follows the rules. |  |  |  |
| Equity incentive commitment   |      |  |   |  |  |  |
| Other undertakings to non-controlling shareholders                                  |      |  |   |  |  |  |
| Whether the undertaking is fulfilled on time  | Yes  |  |   |  |  |  |
| Specific reasons for failing to fulfill any undertakings and plan for the next step | None |  |   |  |  |  |

**3.2. Where any earnings forecast was made for any of the Company's assets or projects and the reporting period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the earnings forecast and reasons**

Applicable  N/A

**4. Occupation of the Company's fund by the controlling shareholder or its related parties for non-operating purposes**

Applicable  N/A

No such cases in the reporting period.

**5. Explanation of the board of directors, the supervisory committee and non-executive directors (If Any) regarding the "Non-standard audit opinion" for the reporting period**

Applicable  N/A

## 6. Reason for changes in accounting policies, accounting estimates and accounting methods compared to the financial report for the prior year

Applicable  N/A

The Company held the 16th meeting of the ninth board of directors on 10 January 2020, reviewed and approved the *Proposal on Changes in Accounting Policies* and decided to prepared the Company's financial statements as required by the *Accounting Standards for Business Enterprises No.14-Revenue (CK[2017]No.22)* revised and issued by the Ministry of Finance since 1 January 2020. Please refer to "Note 3.44 Changes in significant accounting policies and accounting estimates" for the corresponding adjustments to the financial statements.

## 7. Reason for retrospective restatement of major accounting errors during the reporting period

Applicable  N/A

No such cases in the reporting period.

## 8. Reason for changes in scope of the consolidated financial statements compared to the financial report for the prior year

Applicable  N/A

No such cases in the reporting period.

## 9. Engagement and disengagement of CPAs firm

CPAs firm at present

|   |  |
|---|--|
| Name of the domestic CPAs firm  | Sichuan Huaxin (Group) CPA Firm                        |
| The Company's payment for the domestic CPAs firm (CNY'0,000)                        | 90   |
| Consecutive years of the audit service provided by the domestic CPAs firm           | 22   |
| Names of the certified public accountants from the domestic CPAs firm               | Li Wulin, He Shoufu, Tang Fangmo                       |
| Consecutive years of the audit service provided by the certified public accountants | Li Wulin 1 year, He Shoufu 1 year, Tang Fangmo 2 years |

Whether the CPAs firm was changed in the current period

Yes  No

Engagement of any CPAs firm for internal control audit, financial advisor or sponsor

Applicable  N/A

The Company appointed Sichuan Huaxin (Group) CPA Firm as the internal control auditor for this year. The remuneration of audit in total paid by the Company was CNY 450 thousand.

## 10. Possibility of delisting after disclosure of this annual report

Applicable  N/A

## 11. Bankruptcy and reorganization

Applicable  N/A

No such cases in the reporting period.

## 12. Material litigation and arbitration

Applicable  N/A

| Profile of litigation (arbitration)  | Amount involved in the case (CNY' 0,000) | Whether it forms an estimate liability | Progress in litigation (arbitration) | Trial results and impacts of litigation (arbitration)   | Execution of judgment of litigation (arbitration)   | Date of disclosure | Disclosure index                         |
|--|--|--|--------------------------------------|---|---|--------------------|--|
| The Company filed a lawsuit with ABC Changsha Yingxin Branch over a deposit dispute, and the case has been completed in the first instance of Hunan Province Higher People's Court and the final trial of the Supreme People's Court | 14,942.5                                 | No                                     | The second trial has been concluded  | For the losses that the Company cannot recover through criminal execution procedures, 40% shall be borne by ABC Changsha Yingxin Branch, 20% shall be borne by ABC Changsha Hongxin Branch and the rest shall be borne by the Company itself. | The Company applied to Hunan Province Higher People's Court for enforcement of the verdict. Hunan Province Higher People's Court has filed the case and ruled that Hunan Changsha Intermediate People's Court should see to the execution of the verdict. | 15 October 2014    | See Section V "Other significant events" |
| The Company filed a lawsuit with ICBC  | 15,000                                   | No                                     | The first trial has been             | The second trial is in process and the  | The second trial is in process and  | 10 January         | See Section V "Other                     |

|   |  |  |   |                        |                            |      |                     |
|---|--|--|---|------------------------|----------------------------|------|---------------------|
| Nanyang Zhongzhou Branch over a deposit dispute, and the case has been transferred to Henan Province Higher People's Court. |  |  | concluded, and the second trial is in process | case is still pending. | the case is still pending. | 2015 | significant events" |
|---|--|--|---|------------------------|----------------------------|------|---------------------|

### 13. Punishments and rectifications

Applicable  N/A

No such cases in the reporting period.

### 14. Credit conditions of the Company as well as its controlling shareholder and actual controller

Applicable  N/A

### 15. Implementation of any equity incentive plan, employee stock ownership plan or other incentive measures for employees

Applicable  N/A

No such cases in the reporting period.

### 16. Significant related party transactions

#### 16.1. Related party transactions arising from routine operation

Applicable  N/A

No such cases in the reporting period.

#### 16.2. Related party transactions regarding purchase or sales of assets or equity interests

Applicable  N/A

No such cases in the reporting period.

#### 16.3. Related party transitions arising from joint investments in external parties

Applicable  N/A

No such cases in the reporting period.

#### **16.4. Credits and liabilities with related parties**

Applicable  N/A

No such cases in the reporting period.

#### **16.5. Other significant related party transactions**

Applicable  N/A

No such cases in the reporting period.

### **17. Significant contracts and their execution**

#### **17.1. Trusteeship, contracting and leasing**

##### **17.1.1. Trusteeship**

Applicable  N/A

No such cases in the reporting period.

##### **17.1.2. Contracting**

Applicable  N/A

No such cases in the reporting period.

##### **17.1.3. Leasing**

Applicable  N/A

No such cases in the reporting period.

#### **17.2. Major guarantees**

Applicable  N/A

No such cases in the reporting period.



### 17.3. Entrusted cash asset management

#### 17.3.1. Entrust assets management

Applicable  N/A

No such cases in the reporting period.

#### 17.3.2 Entrust loans

Applicable  N/A

No such cases in the reporting period.

### 17.4 Significant contracts in the ordinary course of business

Applicable  N/A

### 17.5 Other significant contracts

Applicable  N/A

No such cases in the reporting period.

## 18. Social Responsibilities

### 18.1 Information about taking social responsibilities

See details in *2020 Annual Social Responsibilities Report* on the same date of the announcement.

### 18.2 Information about targeted poverty alleviation

#### 18.2.1 Targeted poverty alleviation plan

##### A. Basic Strategy

In 2020, the Company resolutely implements the spirit of the important speech made by General Secretary Xi Jinping at the symposium on decisive victory in poverty alleviation, and makes every effort to promote the poverty alleviation in Guntang Village, Maiwa Township, Hongyuan County and Xiangtian Village, Longshan Town, Gulin County, Wumeng Mountain. The Company closely centers on targeted poverty alleviation, provides strong human, material and financial resources, and makes efforts to achieve the final victory in poverty alleviation.

##### B. Overall Objective

The Company puts full effect into the requirements of party committees and governments at all levels for poverty alleviation, as well as consolidates and enhances the achievements on all fronts based on successful poverty alleviation of two target villages (Guntang Village and Xiangtian Village). Anchored by

the "rural revitalization strategy", and aimed at building "new villages of civilization" & "new villages of four goodness", the Company consolidates infrastructure, makes up for deficiencies in public services, stabilizes farmers' income increase, further improves rural governance, enhances quality of villagers, strengthens their competitiveness to shake off poverty and become prosperous, and facilitate the high-quality and leaping development of the two villages to fulfill the promise that "efforts will not be retrieved until a complete victory is won".

### **C. Key tasks**

The Company persists in the support principle of placing equal importance on "blood transfusion, production and activation" and follows the concepts of providing support based on actual needs and sustainable development. Led by Party building, anchored by industrial poverty alleviation, and based on educational poverty alleviation, the Company tangibly promotes poverty alleviation and regulation of environment, and ultimately makes strong improvements in healthcare, cultural education, economic development, cultural poverty alleviation and Party building.

### **D. Guarantee measures**

The Company develops an integrated work pattern in which the Company's Party committee secretary and chairman take the lead in the primary responsibilities, the leaders are in charge of assistance in implementation, the management team makes joint participation, the Party committee work departments are in charge of special implementation, grass-roots Party organizations collaborate on poverty alleviation, and institutions and departments give full play to their advantages and divide their responsibilities. The Company insists on the joint research, arrangement and implementation of poverty alleviation of two target villages, and production and operation. The Company fulfills its assistance responsibilities of "five ones", gives full play to the guiding advantages of Party building, carries out Party branch co-building and pairing assistance activities, makes full participation in "one-for-one" pairing assistance, and develops a good situation in the Company in which the Party committee secretary leads the team, Party members charge down, and employees make participation, so as to ensure the fulfillment of assistance responsibilities and the orderly progress in the Company's poverty alleviation.

## **18.2.2 Outline of annual targeted poverty alleviation**

The first is to donate medical supplies to overcome the difficulties together. After the outbreak of the COVID-19 pandemic, the Company quickly provided human, material and financial resources to ensure that both pandemic prevention and control and poverty alleviation of the assistance regions are not neglected. The Company donated mobile DR equipment, ventilators and other medical facilities and equipment to the People's Hospital of Hongyuan County to improve the inspection and diagnosis capabilities of the hospital; the cadre in the village immediately returned to work, actively participated in the publicity and mobilization of pandemic prevention and control and the distribution of materials, and fought against the pandemic jointly with the cadres and masses of Hongyuan County.

The second is to strengthen infrastructure construction to increase the momentum for poverty alleviation. The Company built new lane rings covering 100,000 mu of pasture, benefiting more than 60 herders; it repaired the pasture lanes to facilitate herders' travel, fresh milk transportation and yak transfer; it built the Banhan Bridge to ensure the safe discharge of pasture lanes during the flood period and the

personal and property safety of herders; it implemented the winter heating project to further improve the working, studying and living conditions of teachers and students in Maiwa Township Primary School.

The third is to build featured industries and carry out poverty alleviation through consumption. Adhering to the industrial poverty alleviation road of "Luzhou Laojiao e-commerce + enterprises in Hongyuan County + collective economy + poverty-stricken herders", the Company continued to carry out the project of "making a fortune from sales", and leveraged the brand advantage of Luzhou Laojiao and the e-commerce platform to help Hongyuan County sell processed yak products and unblock sales channels to drive poverty-stricken households to increase their incomes.

The fourth is to deepen the intelligence and ambition enhancement to stimulate endogenous motivation. The Company set up scholarships to help poverty-stricken college students continue their studies; it assisted in the reelection of the village Party branch and village committee, and strengthened the core leadership position of the village Party branch of Xiangtian Village; it insisted on carrying out the "Three Drives Project", and united the whole village to unswervingly pursue the goal of poverty alleviation and rural revitalization; in accordance with the "ambition enhancement" model of "guidance by village Party branch and village committee - demonstration of non-poor households - conversation with the Company's volunteer team", it regularly preached policies and held conversations with all poverty-stricken households, to continuously strengthen the villagers' spirit of self-reliance; through the "Farmers' Night School" platform, it regularly carried out training activities for farmers to improve their ability and level of alleviating poverty; it launched activities such as the "selection of moral models", "light brigade's poetry towards a well-off society", and villagers' dialogue forums, to strengthen impoverished people's sense of gain in poverty alleviation.

### 18.2.3 Poverty alleviation achievement

| Indicator  | Unit       | Amount/Implementation situation   |
|--|------------|---|
| A. Overall situation   | —          | —   |
| Including: 1. Fund   | CNY 10,000 | 215.81  |
| B. Input by project  | —          | —   |
| 1. Industrial development  | —          | —   |
| Including: 1.1 Type of poverty alleviation projects for industrial development | —          | Poverty alleviation through agriculture and forestry, poverty alleviation through electronic commerce, others |
| 1.2 Number of poverty alleviation projects for industrial development          | Item       | 6   |
| 1.3 Amount invested in poverty alleviation projects for industrial development | CNY 10,000 | 83.42   |
| 2. Transfer and employment   | —          | —   |
| 2.2 Number of persons engaging   | Person     | 45  |

|  |            |  |
|--|------------|--|
| in vocational training   |            |  |
| 3. Removal and relocation  | —          | —  |
| 4. Educational poverty alleviation                                       | —          | —  |
| Including: 4.1 Input of aiding poor students                             | CNY 10,000 | 9  |
| 4.2 Number of aiding poor students                                       | Person     | 18   |
| 4.3 Amount invested in improving the educational resources in poor areas | CNY 10,000 | 74.1   |
| 5. Health poverty alleviation  | —          | —  |
| 6. Ecological protection   | —          | —  |
| 6.2 Input amount   | CNY 10,000 | 36   |
| 7. Basic guarantee   | —          | —  |
| 8. Social poverty alleviation  | —          | —  |
| 9. Other project   | —          | —  |
| Including: 9.1. Item   | Item       | 3  |
| 9.2 .Input amount  | CNY 10,000 | 13.29  |
| C. Awards (content and level)  | —          | —  |
| National level   |            | China Red Cross Medal in 2020  |
| National level   |            | National Charity Association Benevolent Enterprise in 2020   |
| National level   |            | Excellent Case of Targeted Poverty Alleviation in 2020 Recommended by People's Daily on Targeted Poverty Alleviation Forum   |
| Municipal level  |            | "Advanced Enterprise for 100 Enterprises-100 Villages" of Luzhou for the Company in 2020   |
| Municipal level  |            | Advanced Collective for Assistance in Luzhou City's poverty alleviation in 2020  |
| Municipal level  |            | Special Contribution Award for Luzhou City's charity donation activity in 2020   |
| Municipal level  |            | Peng Yi, a cadre dispatched by the Company to Xiangtian Village, Longshan Town, Gulin County, was awarded the "Good Person for Poverty Alleviation in Luzhou City" in 2020 |

#### 18.2.4 Follow-up poverty alleviation plan

2021 is the first year of the "14th Five-Year Plan", and also the year when comprehensive poverty

alleviation and rural revitalization are connected. The Company will assume the social responsibilities of state-owned enterprises, provide assistance and fulfill its responsibilities in poverty alleviation, and insist on taking targeted poverty alleviation as one of the Company's important tasks. By taking more effective measures and gathering more powerful forces, the Company will accelerate the pace of modernization of the assistance villages and promote the sustainable development of the assistance villages. It will comprehensively improve the long-term mechanism for poverty alleviation, ensure the maximum effect of poverty alleviation, give full play to the Company's resource and platform advantages, and cultivate more technical, sales and management talent for the assistance villages; it will further explore the path for shaping the brand image of Gulin agricultural products and Hongyuan yak products, raise awareness and reputation, and establish a mechanism for the sustainable development of featured poverty alleviation industries; it will plan in advance the organic connection between poverty alleviation and rural revitalization, transform existing experience into long-term measures for consolidating the effectiveness of assistance, and strive to build a model area and demonstration area for rural revitalization.

### 18.3 Information about environment protection

Whether the listed company and its subsidiaries belong to heavy polluting industries prescribed by the environmental protection department

Yes  No

| Company name            | Name of main pollutant and particular pollutant | Discharge type      | Number of discharge outlet | Distribution of discharge outlet | Emission concentration | Pollution discharge standard | Total emission | Approved total emission | Excessive discharge |
|-------------------------|---|---------------------|----------------------------|----------------------------------|------------------------|------------------------------|----------------|-------------------------|---------------------|
| Luzhou Laojiao Co.,Ltd. | COD   | Direct discharge    | DW001                      | Luohan Brewery Eco-Park          | 23.713mg/L             | 50mg/L                       | 8.003t         | 25 t/a                  | No                  |
| Luzhou Laojiao Co.,Ltd. | Ammonia nitrogen                                | Direct discharge    | DW001                      | Luohan Brewery Eco-Park          | 0.777mg/L              | 5mg/L                        | 0.262 t        | 2.5 t/a                 | No                  |
| Luzhou Laojiao Co.,Ltd. | Total nitrogen                                  | Direct discharge    | DW001                      | Luohan Brewery Eco-Park          | 5.844mg/L              | 15mg/L                       | 1.972 t        | 7.5 t/a                 | No                  |
| Luzhou Laojiao Co.,Ltd. | Total phosphorus                                | Direct discharge    | DW001                      | Luohan Brewery Eco-Park          | 0.184mg/L              | 0.5mg/L                      | 0.062 t        | 0.25 t/a                | No                  |
| Luzhou Laojiao Co.,Ltd. | PM  | Organized discharge | DA009                      | Luohan Brewery Eco-Park          | 6.549mg/m <sup>3</sup> | 20mg/m <sup>3</sup>          | 0.325 t        | 3.9 t/a                 | No                  |
| Luzhou                  | PM  | Organized           | DA010                      | Luohan                           | 6.529mg/m <sup>3</sup> | 20mg/m <sup>3</sup>          | 0.277 t        |                         | No                  |

|                         |                  |                     |       |                          |                         |                      |          |           |    |
|-------------------------|------------------|---------------------|-------|--------------------------|-------------------------|----------------------|----------|-----------|----|
| Laojiao Co.,Ltd.        |                  | discharge           |       | Brewery Eco-Park         |                         |                      |          |           |    |
| Luzhou Laojiao Co.,Ltd. | Sulfur dioxide   | Organized discharge | DA009 | Luohan Brewery Eco-Park  | 0.196mg/m <sup>3</sup>  | 50mg/m <sup>3</sup>  | 0.008 t  | 11.5 t/a  | No |
| Luzhou Laojiao Co.,Ltd. | Sulfur dioxide   | Organized discharge | DA010 | Luohan Brewery Eco-Park  | 0.715mg/m <sup>3</sup>  | 50mg/m <sup>3</sup>  | 0.022 t  |           | No |
| Luzhou Laojiao Co.,Ltd. | Oxynitride       | Organized discharge | DA009 | Luohan Brewery Eco-Park  | 20.901mg/m <sup>3</sup> | 200mg/m <sup>3</sup> | 1.041 t  | 45.4 t/a  | No |
| Luzhou Laojiao Co.,Ltd. | Oxynitride       | Organized discharge | DA010 | Luohan Brewery Eco-Park  | 17.042mg/m <sup>3</sup> | 200mg/m <sup>3</sup> | 0.955 t  |           | No |
| Luzhou Laojiao Co.,Ltd. | COD              | Indirect discharge  | DW001 | Huangyi Brewery Eco-Park | 41.091mg/L              | 400mg/L              | 12.839 t | 400 t/a   | No |
| Luzhou Laojiao Co.,Ltd. | Ammonia nitrogen | Indirect discharge  | DW001 | Huangyi Brewery Eco-Park | 1.119mg/L               | 30mg/L               | 0.350 t  | 30 t/a    | No |
| Luzhou Laojiao Co.,Ltd. | Total nitrogen   | Indirect discharge  | DW001 | Huangyi Brewery Eco-Park | 6.617mg/L               | 50mg/L               | 2.068 t  | 50 t/a    | No |
| Luzhou Laojiao Co.,Ltd. | Total phosphorus | Indirect discharge  | DW001 | Huangyi Brewery Eco-Park | 0.866mg/L               | 3mg/L                | 0.271 t  | 3 t/a     | No |
| Luzhou Laojiao Co.,Ltd. | PM               | Organized discharge | DA002 | Huangyi Brewery Eco-Park | 0.538mg/m <sup>3</sup>  | 5mg/m <sup>3</sup>   | 1.158 t  | 4.43 t/a  | No |
| Luzhou Laojiao Co.,Ltd. | PM               | Organized discharge | DA003 | Huangyi Brewery Eco-Park | 0.924mg/m <sup>3</sup>  | 5mg/m <sup>3</sup>   | 1.554 t  |           | No |
| Luzhou Laojiao Co.,Ltd. | PM               | Organized discharge | DA001 | Huangyi Brewery Eco-Park | 0.956mg/m <sup>3</sup>  | 5mg/m <sup>3</sup>   | 0.076 t  |           | No |
| Luzhou Laojiao Co.,Ltd. | Sulfur dioxide   | Organized discharge | DA002 | Huangyi Brewery Eco-Park | 0.564mg/m <sup>3</sup>  | 35mg/m <sup>3</sup>  | 0.244 t  | 30.96 t/a | No |
| Luzhou Laojiao Co.,Ltd. | Sulfur dioxide   | Organized discharge | DA003 | Huangyi Brewery          | 0.344mg/m <sup>3</sup>  | 35mg/m <sup>3</sup>  | 0.269 t  |           | No |

|                         |                |                     |       |                          |                         |                      |          |           |    |
|-------------------------|----------------|---------------------|-------|--------------------------|-------------------------|----------------------|----------|-----------|----|
| Co.,Ltd.                |                |                     |       | Eco-Park                 |                         |                      |          |           |    |
| Luzhou Laojiao Co.,Ltd. | Sulfur dioxide | Organized discharge | DA001 | Huangyi Brewery Eco-Park | 0.202mg/m <sup>3</sup>  | 35mg/m <sup>3</sup>  | 0.014 t  | 88.47 t/a | No |
| Luzhou Laojiao Co.,Ltd. | Oxynitride     | Organized discharge | DA002 | Huangyi Brewery Eco-Park | 24.837mg/m <sup>3</sup> | 100mg/m <sup>3</sup> | 11.302 t |           | No |
| Luzhou Laojiao Co.,Ltd. | Oxynitride     | Organized discharge | DA003 | Huangyi Brewery Eco-Park | 25.966mg/m <sup>3</sup> | 100mg/m <sup>3</sup> | 13.045 t |           | No |
| Luzhou Laojiao Co.,Ltd. | Oxynitride     | Organized discharge | DA001 | Huangyi Brewery Eco-Park | 22.150mg/m <sup>3</sup> | 100mg/m <sup>3</sup> | 1.086 t  |           | No |

#### Information about construction and operation of anti-pollution installations

A. Waste water: The Company has a wastewater treatment station in Huangyi Brewery Eco-Park and Luohan Brewery Eco-Park. The general discharging outlets are equipped with an automatic online monitoring instrument for COD, ammonia nitrogen, total phosphorus, total nitrogen, pH and flow. The real-time monitoring data is connected with the Information Center of the Bureau of Ecology and Environment of Luzhou for operation. The wastewater treatment stations are in normal operation. The waste water is discharged directly after indexes are up to the standard or discharged indirectly to the wastewater treatment plant. All production areas of the Company have implemented the rainwater and sewage diversion. The high-concentration wastewater from the old brewery workshops is transferred to the wastewater treatment station in Luohan Brewery Eco-Park by trucks. The discharge of all production and domestic wastewater of the Company is up to the standard.

B. Waste gas: The Company uses natural gas boiler and clean fuels in Huangyi Brewery Eco-Park, Luohan Brewery Eco-Park and old brewery workshops. The boilers are installed with an online automatic monitoring instrument for waste gas, which is connected to the Information Center of the Bureau of Ecology and Environment of Luzhou for operation. The waste gas treatment facilities are in normal operation. The waste gas discharge is up to the standard.

#### Environmental impact assessment for construction project and other environmental protection administrative permission

For all construction projects, the Company carries out environmental impact assessment, obtains the environmental protection administrative permission, and carries out acceptance of completed environmental protection projects in accordance with the requirements of China's environmental protection laws and regulations. For example, the Company carries out environmental impact assessment and obtained the environmental protection administrative permission for the technical upgrade project of Luzhou Laojiao Smart Packaging Centre. It carried out independent acceptance of completed environmental protection projects for the boiler upgrading project of Luzhou Laojiao Luohan Brewing Base and the technical upgrading project of sewage station of Luzhou Laojiao Brewing Co., Ltd.

#### Emergency plan for environmental emergencies

The Company has prepared the *Contingency Plan for Environmental Emergencies* and the *Risk Assessment Report on Environmental Emergencies* for all regions of the Company, and reported them to the Emergency Service Center of the Bureau of Ecology and Environment of Luzhou for record. The Company organizes all departments (units) to study the emergency plan, improves the special contingency plan and on-site disposal plan, and carries out comprehensive emergency plan drills to improve the emergency handling capacity of all staff for environmental emergencies.

#### Environmental self-monitoring program

The Company developed the environmental self-monitoring plan in accordance with the requirements of the pollution discharge permit, and reported it to the Bureau of Ecology and Environment of Luzhou for record. It carried out the monitoring of indicators such as waste water, waste gas and noise in strict accordance with the monitoring plan. The automatic monitoring system is under networking operation with the Information Center of the Bureau of Ecology and Environment of Luzhou. Relevant self-monitoring information will be disclosed on the "pollution source monitoring information management and sharing platform of Sichuan province" as required to receive social supervision.

Other information about environmental protection that should be disclosed:

N/A

Other information about environment protection

N/A

## 19. Other significant events

Applicable  N/A

A. The Company's three savings deposits of CNY 500 million, including ABC Changsha Yingxin Branch and ICBC Nanyang Zhongzhou Branch are involved in contract disputes. The Company has reported to the public security authorities for intervention with the assets preservation measure and filed civil claims for two contract disputes among the three cases. Combined with the assets preservation situation of the public security authorities and professional legal advice issued by lawyers, the Company has made a provision of CNY 200 million for bad debts for the deposit of CNY 500 million for contract disputes. The Supreme People's Court made a final judgment on the dispute arising out of the deposit contract between the Company and ABC Changsha Yingxin Branch. In respect of the losses that couldn't be recovered through criminal procedures, ABC Changsha Yingxin Branch should bear 40% of the compensation liability, ABC Changsha Hongxing Branch 20%, and the remaining losses should be borne by the Company. The Company applied to Hunan Province Higher People's Court for enforcement of the verdict. Hunan Province Higher People's Court has filed the case and ruled that Hunan Changsha Intermediate People's Court should see to the execution of the verdict. Henan Province Higher People's Court had made the judgment of the first trial on the lawsuit of the Company with ICBC Nanyang Zhongzhou Branch over a deposit dispute: for the losses that the Company cannot recover through



criminal execution procedures, 50% shall be borne by ICBC Nanyang Zhongzhou Branch; for the losses that the Company cannot recover through criminal execution procedures concerning CNY 122.1 million of principal in the case, 10% shall be borne by Sanya Rural Commercial Bank Hongsha Branch, and the rest shall be borne by the Company itself. As of 31 December 2020, the Company had recovered an amount of CNY 214,955,100 for three of the disputes.

See details in the Company's announcements:

| Date of announcement | No.     | Catalogue   | Official website  |
|----------------------|---------|---|---|
| 15 October 2014      | 2014-35 | Announcement of significant litigation                    | <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> |
| 12 November 2014     | 2014-41 | Announcement of significant litigation progress           |   |
| 6 December 2014      | 2014-43 | Announcement of significant litigation progress part II   |   |
| 10 January 2015      | 2015-1  | Announcement of significant events                        |   |
| 4 February 2015      | 2015-4  | Announcement of significant events progress               |   |
| 25 March 2015        | 2015-11 | Announcement of significant litigation progress part III  |   |
| 18 April 2015        | 2015-20 | Announcement of significant litigation progress part IV   |   |
| 22 April 2015        | 2015-21 | Announcement of significant events progress part II       |   |
| 24 April 2015        | 2015-25 | Announcement of significant litigation progress part V    |   |
| 15 July 2015         | 2015-44 | Announcement of significant litigation progress part VI   |   |
| 22 July 2015         | 2015-45 | Announcement of significant litigation progress part VII  |   |
| 6 June 2018          | 2018-17 | Announcement of significant litigation progress part VIII |   |
| 7 May 2019           | 2019-11 | Announcement of significant litigation progress part IX   |   |
| 17 May 2019          | 2019-13 | Announcement of significant litigation progress part X    |   |
| 24 March 2020        | 2020-6  | Announcement of significant litigation progress part XI   |   |
| 6 May 2020           | 2020-14 | Announcement of significant litigation progress part XII  |   |

|                 |         |   |  |
|-----------------|---------|---|--|
| 7 November 2020 | 2020-34 | Announcement of significant litigation progress part XIII |  |
|-----------------|---------|---|--|

B. The Company held the 7<sup>th</sup> meeting of the ninth board of directors on 25 April 2019 and the 1<sup>st</sup> special meeting of shareholders in 2019 on 14 May 2019, reviewed and approved the *Proposal on the Company's Eligibility for Public Offering of Corporate Bond for Qualified Investors* and *Proposal on Plan of Public Offering of Corporate Bond* and agreed the Company's application of public offering of corporate bond for qualified investors. On 26 July 2019, the Company received the *Reply on Approval of Luzhou Laojiao Co., Ltd. Public Offering of Corporate Bond for Qualified Investors* (ZJXK(2019)No. 1312) issued by China Securities Regulatory Commission. On 28 August 2019, the 2019 public offering of corporate bond for qualified investors (Phase I) finished. The issue scale is CNY 2.5 billion and the coupon rate is 3.58%. The said bonds were traded in Shenzhen Stock Exchange on 4 September 2019. On 17 March 2020, the 2020 public offering of corporate bond for qualified investors (Phase I) finished. The issue scale is CNY 1.5 billion and the coupon rate is 3.50%. The said bonds were traded in Shenzhen Stock Exchange on 25 March 2020.

## 20. Significant events of subsidiaries

Applicable  N/A

The Company disclosed the technical renovation project of brewing invested by Brewing Company, a subsidiary of the Company. The total investment amount is CNY 7,414,280,000. See details in the announcement *About subsidiary technical renovation project of brewing*, No : 2016-12 (<http://www.cninfo.com.cn/>). Based on actual needs arising from the construction of the project, the Company convened a general meeting on 30 June 2020, at which the *Proposal on Increasing Investment in the Technical Renovation Project of Brewing* was approved. As such, the total project investment was increased to CNY 8,877,276,500. For more information, please refer to the following announcements: *Announcement No. 2020-17 on Increasing Investment in the Technical Renovation Project of Brewing* disclosed on 2 June 2020; and *Announcement No. 2020-20 on the Resolutions of the 2019 Annual General Meeting* disclosed on 1 July 2020 (both disclosed on <http://www.cninfo.com.cn/>). As of the end of the reporting period, construction was completed for the project, with the project image progress reaching 100%. Quality inspection and acceptance of the relevant sub-projects was finished. Other inspection and acceptance, as well as settlement were progressing in an orderly manner.

## Section VI Changes in Shares and Information about Shareholders

### 1. Changes in shares

#### 1.1 Changes in shares

Unit: Share

|  | Before        |            | Changes in this year (+, -) |              |                                    |            |            | After         |            |
|--|---------------|------------|-----------------------------|--------------|------------------------------------|------------|------------|---------------|------------|
|  | Number        | Proportion | Issuance of new shares      | Bonus shares | Capitalization of capital reserves | Other      | Subtotal   | Number        | Proportion |
| I. Restricted shares                           | 4,647,181     | 0.32%      |                             |              |                                    | -4,201,260 | -4,201,260 | 445,921       | 0.03%      |
| 1. Shares held by the state                    |               |            |                             |              |                                    |            |            |               |            |
| 2. Shares held by state-owned corporations     | 4,166,666     | 0.28%      |                             |              |                                    | -4,166,666 | -4,166,666 | 0             | 0.00%      |
| 3. Shares held by other domestic investors     | 480,515       | 0.03%      |                             |              |                                    | -34,594    | -34,594    | 445,921       | 0.03%      |
| Of which: shares held by domestic corporations |               |            |                             |              |                                    |            |            |               |            |
| Shares held by domestic individuals            | 480,515       | 0.03%      |                             |              |                                    | -34,594    | -34,594    | 445,921       | 0.03%      |
| 4. Shares held by outbound corporations        |               |            |                             |              |                                    |            |            |               |            |
| Of which: shares held by outbound corporations |               |            |                             |              |                                    |            |            |               |            |
| Shares held by outbound individuals            |               |            |                             |              |                                    |            |            |               |            |
| II. Non-restricted shares                      | 1,460,105,295 | 99.68%     |                             |              |                                    | 4,201,260  | 4,201,260  | 1,464,306,555 | 99.97%     |
| 1. CNY common shares                           | 1,460,105,295 | 99.68%     |                             |              |                                    | 4,201,260  | 4,201,260  | 1,464,306,555 | 99.97%     |
| 2. Domestically listed foreign shares          |               |            |                             |              |                                    |            |            |               |            |
| 3. Overseas listed foreign shares              |               |            |                             |              |                                    |            |            |               |            |
| 4. Other                                       |               |            |                             |              |                                    |            |            |               |            |
| III. Total shares                              | 1,464,752,476 | 100.00%    |                             |              |                                    | 0          | 0          | 1,464,752,476 | 100.00%    |

Reasons for the change in shares

√ Applicable □ N/A

The 4,166,666 shares held by Luzhou Liquor Industry Investment Co., Ltd. in the Company, which were derived in a non-public offering of shares in 2016, were unlocked on 17 September 2020.

34,594 shares held by senior management Shen Caihong were unlocked on 2 January 2020.

Approval of share changes

□ Applicable √ N/A

Transfer of share ownership

□ Applicable √ N/A

Implementation progress of shares repurchases

□ Applicable √ N/A

Implementation progress of share buyback reduction through centralized bidding

□ Applicable √ N/A

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and the last reporting period

□ Applicable √ N/A

Other contents that the Company considers it necessary or required by the securities regulatory authorities to disclose

□ Applicable √ N/A

## 1.2 Changes in restricted shares

√ Applicable □ N/A

Unit: Share

| Name of shareholder                         | Number of restricted shares held at the beginning of the reporting period | Increase in restricted shares during the reporting period | Decrease in restricted shares during the reporting period | Number of restricted shares held at the end of the reporting period | Reason for restriction                  | Date of unlocking |
|---|---|---|---|---|---|-------------------|
| Luzhou Liquor Industry Investment Co., Ltd. | 4,166,666   | 0   | 4,166,666   | 0   | Shares derived in a non-public offering | 17 September 2020 |
| Shen Caihong                                | 138,375   | 0   | 34,594  | 103,781   | Locked-up shares of senior              | 2 January 2020    |

|       |           |   |           |         |            |    |
|-------|-----------|---|-----------|---------|------------|----|
|       |           |   |           |         | management |    |
| Total | 4,305,041 | 0 | 4,201,260 | 103,781 | --         | -- |

## 2. Issuance and listing of securities

### 2.1 Securities (excluding preferred shares) issued in the reporting period

Applicable  N/A

| Name of stock and its derivative securities  | Issuance date | Issuance price (or interest rate) | Numbers    | Listing date  | Approved numbers for trading | Expiry date of the trading | Disclosure index   | Disclosure date |
|--|---------------|-----------------------------------|------------|---------------|------------------------------|----------------------------|--|-----------------|
| Stock  |               |                                   |            |               |                              |                            |  |                 |
| Convertible corporate bonds, separate bargaining convertible corporate bonds and corporate bonds     |               |                                   |            |               |                              |                            |  |                 |
| 2020 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors (Phase I) | 17 March 2020 | 3.5%                              | 15,000,000 | 25 March 2020 | 15,000,000                   |                            | Announcement on the Listing on the Shenzhen Stock Exchange of 2020 Public Offering of Corporate Bond for Qualified Investors (Phase I) ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) | 17 March 2020   |
| Other derivative securities  |               |                                   |            |               |                              |                            |  |                 |

Information about securities (excluding preferred shares) issued in the reporting period

On 17 March 2020, the Company completed the issuance of 2020 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors (Phase I). The issue scale was CNY 1.5 billion and the coupon rate was 3.50%. The said bonds were traded on Shenzhen Stock Exchange on 25 March 2020.

## 2.2 Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structure

√ Applicable □ N/A

In accordance with the document of ZJXK(2019)No. 1312 issued by China Securities Regulatory Commission, the Company is allowed to publicly offer corporate bonds with face value not exceeding CNY 4 billion for qualified investors. During the reporting period, the Company accomplished the issuance of corporate bonds of CNY 1.5 billion bringing about the increase in total assets and total liabilities of the Company. For more details about changes in structure of the Company's assets and liabilities, please refer to "Section IV Performance Discussion and Analysis" and "Section XI Information about Corporate Bond".

## 2.3 Existing staff-held shares

□ Applicable √ N/A

## 3. Shareholders and actual controller

### 3.1 Total number of shareholders and their shareholdings

Unit: Share

| Name of shareholder                      | Nature of shareholder   | Shareholding percentage | Total shares held by the end of the reporting period | Increase/decrease during the reporting period | Number of holding restricted shares | Number of holding non-restricted shares | Pledged or frozen shares |                  |
|--|-------------------------|-------------------------|--|---|-------------------------------------|---|--------------------------|------------------|
|  |                         |                         |  |   |                                     |   | Status of shares         | Number of shares |
| Luzhou Laojiao Group Co., Ltd.           | State-owned corporation | 26.02%                  | 381,088,389  | 0   | 0                                   | 381,088,389                             |                          |                  |
| Luzhou XingLu Investment Group Co., Ltd. | State-owned corporation | 24.99%                  | 365,971,142  | 0   | 0                                   | 365,971,142                             | Pledged                  | 101,980,000      |
| China Securities                         | Other                   | 2.31%                   | 33,842,059   | 0   | 0                                   | 33,842,059                              |                          |                  |

|  |                         |       |            |            |   |            |  |  |
|--|-------------------------|-------|------------|------------|---|------------|--|--|
| Finance Corporation limited  |                         |       |            |            |   |            |  |  |
| Hong Kong Securities Clearing Company Limited  | Outbound corporation    | 2.25% | 32,901,662 | -7,408,613 | 0 | 32,901,662 |  |  |
| Bank of China Co.,Ltd. – Liquor index classification securities investment fund by China Merchants Fund                | Other                   | 2.04% | 29,836,985 | 18,105,061 | 0 | 29,836,985 |  |  |
| Bank of China Co., Ltd- Blue Chip Selected hybrid securities investment fund by E fund                                 | Other                   | 1.89% | 27,700,000 | —          | 0 | 27,700,000 |  |  |
| Central Huijin Asset Management Co.,Ltd.   | State-owned corporation | 1.43% | 20,937,500 | 0          | 0 | 20,937,500 |  |  |
| Bank of China Co.,Ltd. – Middle and small capital stock s hybrid securities investment fund by E fund                  | Other                   | 1.18% | 17,300,000 | -4,079,566 | 0 | 17,300,000 |  |  |
| Industrial and Commercial Bank of China Co., Ltd.-Newly growth hybrid securities investment fund by Invesco Great Wall | Other                   | 1.03% | 15,077,911 | -834,247   | 0 | 15,077,911 |  |  |
| Agricultural Bank of China Co.,Ltd. - Consumption industry stock - based securities investment fund by E fund          | Other                   | 0.95% | 13,986,827 | 20,829,830 | 0 | 13,986,827 |  |  |
| Strategic investors or general corporations become the top-ten shareholders due to placing of new                      | N/A                     |       |            |            |   |            |  |  |

| shares (if any) (see note 3)  |   |                   |             |
|---|---|-------------------|-------------|
| Related parties or acting-in-concert  | <p>1. Laojiao Group and Xinglu Group are both wholly state-owned companies under the jurisdiction of SASAC of Luzhou. The two companies signed the agreement of persons acting in concert on 31 December 2015. For details, please refer to the announcement of the Company on 5 January 2016 - <i>Announcement on the agreement of persons acting in concert signed by shareholders</i>. The announcement number is 2016-1 (<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>)</p> <p>2. In addition, whether there is an association between the remaining shareholders or they belong to persons acting in concert is unknown.</p> |                   |             |
| Shareholdings of the top 10 non-restricted shareholders   |   |                   |             |
| Name of shareholder   | Number of non-restricted shares held in by the end of the reporting period  | Type of shares    |             |
|   |   | Type              | Number      |
| Luzhou Laojiao Group Co., Ltd.  | 381,088,389   | CNY common shares | 381,088,389 |
| Luzhou XingLu Investment Group Co., Ltd.  | 365,971,142   | CNY common shares | 365,971,142 |
| China Securities Finance Corporation limited  | 33,842,059  | CNY common shares | 33,842,059  |
| Hong Kong Securities Clearing Company Limited   | 32,901,662  | CNY common shares | 32,901,662  |
| Bank of China Co.,Ltd. – Liquor index classification securities investment fund by China Merchants Fund   | 29,836,985  | CNY common shares | 29,836,985  |
| Bank of China Co., Ltd- Blue Chip Selected hybrid securities investment fund by E fund  | 27,700,000  | CNY common shares | 27,700,000  |
| Central Huijin Asset Management Co.,Ltd.  | 20,937,500  | CNY common shares | 20,937,500  |
| Bank of China Co.,Ltd. – Middle and small capital stock s hybrid securities investment fund by E fund   | 17,300,000  | CNY common shares | 17,300,000  |
| Industrial and Commercial Bank of China Co., Ltd.-Newly growth hybrid securities investment fund by Invesco Great Wall                          | 15,077,911  | CNY common shares | 15,077,911  |
| Agricultural Bank of China Co.,Ltd. - Consumption industry stock - based securities investment fund by E fund                                   | 13,986,827  | CNY common shares | 13,986,827  |
| The statement of association or acting-in-concert between the top 10 shareholders of unrestricted shares and between the top 10 shareholders of | See the table above   |                   |             |



|   |  |
|---|--|
| unrestricted shares and top 10 shareholders |  |
|---|--|

Did any of the top 10 common shareholders or the top non-restricted common shareholders of the Company conduct any promissory repurchase during the reporting period.

Yes  No

The top 10 non-restricted common shareholders, the top 10 common shareholders did not conduct any promissory repurchase during the reporting period.

### 3.2 Controlling shareholder

Nature of controlling shareholder: Local state-owned

Type of controlling shareholder: Corporation

| Name of controlling shareholder   | Legal representative/Company principal  | Date of establishment | Credibility code   | Main business scope  |
|---|---|-----------------------|--------------------|--|
| Luzhou Laojiao Group Co.,Ltd.   | Zhang Liang   | 21 December 2000      | 91510500723203346U | Investment and asset management; Investment in wine, food, finance, trade, logistics, education, medical and health care, cultural tourism and Internet industries; Holding company services; Social and economic consulting, enterprise management consulting, enterprise management services; Supply chain management services; Import and export business and trade agents; Food production and sales (including online); Crop cultivation and marketing services (including online). |
| Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period | <p>1. As of 30 June 2020, Laojiao Group holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares.</p> <p>2. As of 31 December 2020, Laojiao Group holds 212,954,666 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its wholly-owned subsidiary, Sichuan Jinduo investment Co., Ltd., accounting for 30.08% of the total issued shares.</p> <p>3. As of 31 December 2020, Laojiao Group holds 475,940,143 shares of Huaxi Securities Co., Ltd. (002926.SZ), accounting for 18.13% of the total issued shares.</p> |                       |                    |  |

|  |  |
|--|--|
|  | 4. As of 30 June 2020, Laojiao Group holds 325,440,000 shares of Luzhou Bank (01983.HK), accounting for 14.37% of the total issued shares. |
|--|--|

Change of the controlling shareholder during the reporting period

Applicable  N/A

No such cases in the reporting period

### 3.3 Actual controller and its persons acting in concert

Nature of actual controller: Local State-owned Assets Supervision and Administration Commission

Type of actual controller: Corporation

| Name of actual controller   | Legal representative/Company principal   | Date of establishment | Credibility code   | Main business scope  |
|---|--|-----------------------|--------------------|--|
| SASAC of Luzhou   | Du Lei   | 1 March 2005          | 11510400771686813T | State-owned assets supervision and administration department |
| Share holdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period. | <p>1. As of 30 June 2020, XingLu Group, a wholly-owned subsidiary of SASAC of Luzhou, holds 511,654,127 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 59.51% of the total issued shares. Luzhou Infrastructure Construction Investment Co., Ltd., a holding subsidiary of XingLu Group, holds 62,709,563 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), and accounting for 7.29% of the total issued shares. Laojiao Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares.</p> <p>2. As of 31 December 2020, Laojiao Group holds 212,954,666 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its controlled subsidiary, Sichuan Jinduo investment Co., Ltd., accounting for 30.08% of the total shares issued.</p> <p>3. As of 31 December 2020, Luzhou Industrial Investment Group Co., Ltd., a holding Company under the jurisdiction of SASAC of Luzhou, holds 193,464,610 shares of Sichuan Lutianhua Company Limited (000912.SZ), accounting for 12.34% of the total shares issued. Lutianhua Group Company Limited, a wholly-owned subsidiary of Luzhou Industrial Investment Group Co., Ltd., holds 211,458,993 shares of Sichuan Lutianhua Company Limited (000912.SZ), and accounting for 13.49% of the total issued shares.</p> <p>4. As of 31 December 2020, Laojiao Group, a controlled subsidiary under SASAC of Luzhou, holds 475,940,143 shares of Huaxi Securities Co., Ltd. (002926.SZ), accounting for 18.13% of the total issued shares.</p> <p>5. As of 30 June 2020, Laojiao Group, a controlled subsidiary under SASAC of Luzhou, holds 325,440,000 shares of Luzhou Bank (01983.HK), accounting for 14.37% of the total issued shares. XingLu Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 40,549,462 shares of Luzhou Bank (01983.HK), accounting for 1.79% of the total issued shares.</p> |                       |                    |  |

Change of the actual controller during the reporting period

Applicable  N/A

The actual controller of the Company has not changed during the reporting period.

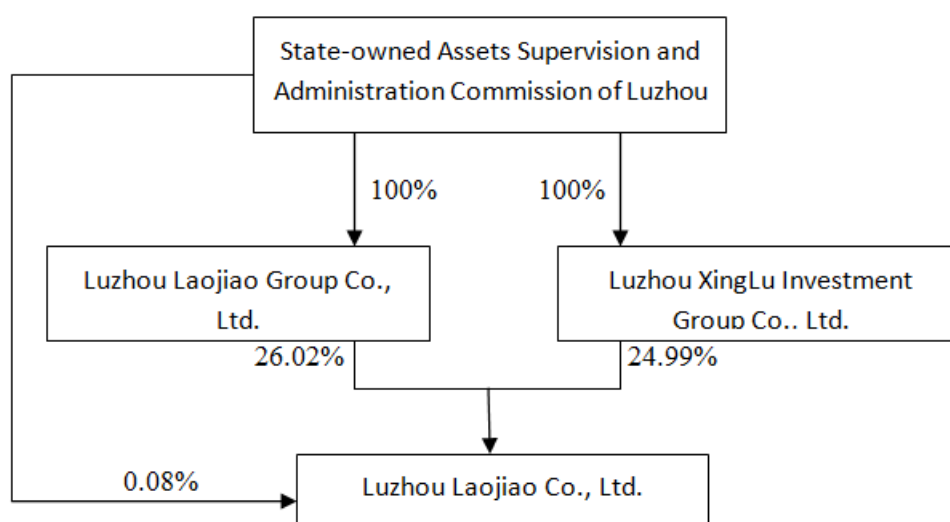
### Ownership and control relations between the actual controller and the Company

The Company disclosed the Reminder (Announcement No. 2020-33) on Some State-Owned Equity Interests in the Company and Its Controlling Shareholders Being Transferred without Consideration to Replenish the Social Security Fund on 30 October 2020, the Announcement No. 2020-35 on the Progress on the Transfer without Consideration of Some State-Owned Equity Interests in the Company and Its Controlling Shareholders to Replenish the Social Security Fund on 26 November 2020, and the Announcement No. 2021-1 on the Progress on the Transfer without Consideration of Some State-Owned Equity Interests in the Company and Its Controlling Shareholders to Replenish the Social Security Fund on 6 January 2021. As such, SASAC of Luzhou intended to transfer, without consideration, 111,193 state-owned shares in the Company (accounting for 10% of the shares held by SASAC of Luzhou in the Company, and 0.008% of the Company's total shares), 10% equity interests in the Company's controlling shareholder Laojiao Group, and 10% equity interests in Laojiao Group's acting-in-concert party XingLu Group to Sichuan Provincial Finance Department, which would hold these shares on behalf of the Social Security Fund.

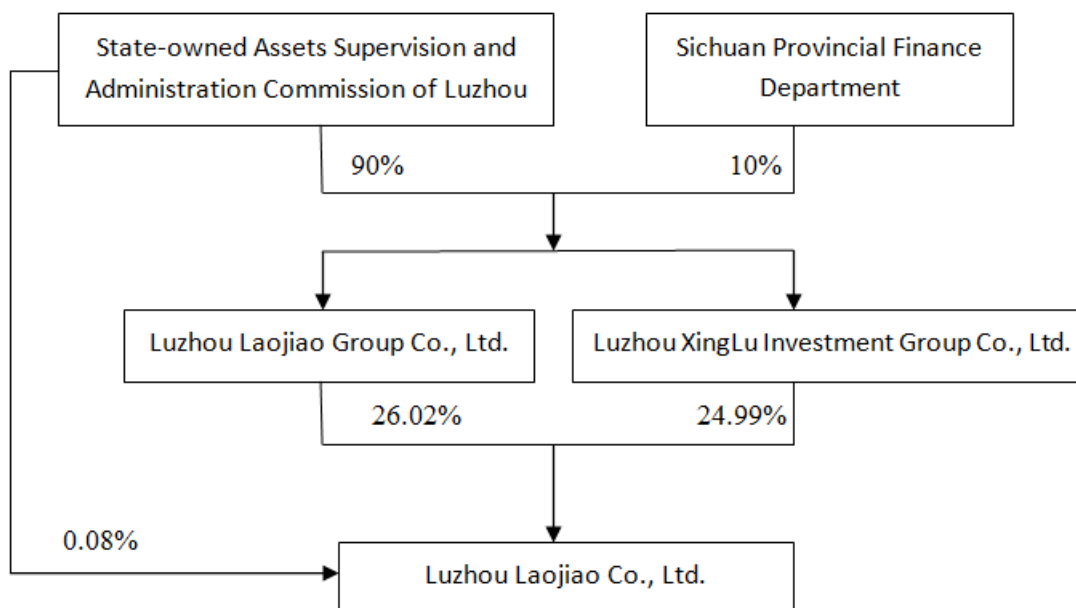
As of the disclosure date of this Report, the aforesaid equity interests in Laojiao Group and XingLu Group have been transferred, while the aforesaid direct shareholdings of SASAC of Luzhou in the Company are still in the transfer process.

Upon the above-mentioned transfers, shares held by Laojiao Group and XingLu Group in the Company will remain unchanged, and so will their shareholding percentages. Therefore, Laojiao Group will remain the controlling shareholder of the Company, while SASAC of Luzhou will remain the actual controller of the Company.

### Ownership Structure of the Company (as of the End of the Reporting Period)



## Ownership Structure of the Company (as of the Disclosure Date of this Report)



The actual controller control the company through a trust or other ways of assets management

Applicable  N/A

### 3.4 Other corporate shareholders with a shareholding proportion over 10%

Applicable  N/A

| Name of corporate shareholder            | Legal representative/Company principal | Date of establishment | Registered capital (CNY) | Main business scope   |
|--|--|-----------------------|--------------------------|---|
| Luzhou XingLu Investment Group Co., Ltd. | Dai Zhiwei                             | 28 January 2003       | 4,934,049,244            | Investment and asset management; Project management services; Self-finance real estate business activities; Investment advisory services, financial advisory services |

### 3.5 Limits on reduction of the Company's shares held by its controlling shareholder, actual controller, restructuring party and other commitment entities.

Applicable  N/A

## Section VII Preferred Shares

Applicable  N/A

No preferred stock in the Company during the reporting period.

## **Section VIII Information about Convertible Corporate Bond**

Applicable  N/A

No convertible corporate bond in the Company during the reporting period.

## Section IX Profiles of Directors, Supervisors, Senior Management and Employees

### 1. Changes in shares held by directors, supervisors, and senior management

| Name        | Title   | Incumbent / Former | Gender | Age | Period of service   | Shares held by the beginning of the reporting period (share) | Shares increased during the reporting period (share) | Shares decreased during the reporting period (share) | Other increase/decrease (share) | Shares held by the end of the reporting period (share) |
|-------------|---|--------------------|--------|-----|---------------------|--|--|--|---------------------------------|--|
| Liu Miao    | Chairman of the board, Secretary of the party committee                                 | Incumbent          | Male   | 51  | 2015.6.30-2021.6.27 | 192,187  | 0  | 0  | 0                               | 192,187  |
| Lin Feng    | Director, general manager, Deputy secretary of the party committee                      | Incumbent          | Male   | 47  | 2015.6.30-2021.6.27 | 0  | 0  | 0  | 0                               | 0  |
| Wang Hongbo | Director, Deputy general manager, member of the party committee, Secretary of the board | Incumbent          | Male   | 57  | 2015.3.06-2021.6.27 | 0  | 0  | 0  | 0                               | 0  |
| Jiang Yuhui | Director, Deputy general manager, member of the party                                   | Incumbent          | Female | 58  | 2009.5.20-2021.6.27 | 254,000  | 0  | 0  | 0                               | 254,000  |

|                 |   |           |        |    |                      |         |   |   |   |         |
|-----------------|---|-----------|--------|----|----------------------|---------|---|---|---|---------|
|                 | committee,<br>chairman<br>of the<br>labor union |           |        |    |                      |         |   |   |   |         |
| Shen<br>Caihong | Director,<br>Deputy<br>general<br>manager       | Incumbent | Male   | 55 | 2002.6.30-2021.6.27  | 138,375 | 0 | 0 | 0 | 138,375 |
| Du Kunlun       | Non-execu<br>tive<br>director                   | Incumbent | Male   | 52 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Xu<br>Guoxiang  | Non-execu<br>tive<br>director                   | Incumbent | Male   | 61 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Tan Lili        | Non-execu<br>tive<br>director                   | Incumbent | Female | 66 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Liu Junhai      | Non-execu<br>tive<br>director                   | Incumbent | Male   | 51 | 2018.6.27-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Qian Xu         | External<br>director                            | Incumbent | Male   | 57 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Ying<br>Hanjie  | External<br>director                            | Incumbent | Male   | 51 | 2016.9.13-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Lian Jing       | Supervisor                                      | Incumbent | Male   | 51 | 2012.6.27-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Yang<br>Benhong | Supervisor                                      | Incumbent | Female | 54 | 2009.5.20-2021.6.27  | 10,000  | 0 | 0 | 0 | 10,000  |
| Cao Cong        | Supervisor                                      | Incumbent | Male   | 36 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Li<br>Guangjie  | Supervisor                                      | Incumbent | Male   | 51 | 2018.6.27-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Wu Qin          | Deputy<br>general<br>manager                    | Incumbent | Male   | 59 | 2020.1.10-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Xie Hong        | CFO   | Incumbent | Female | 51 | 2015.3.06-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| He Cheng        | Deputy<br>general<br>manager                    | Incumbent | Male   | 54 | 2015.6.30-2021.6.27  | 0       | 0 | 0 | 0 | 0       |
| Zhang<br>Suyi   | Deputy<br>general<br>manager                    | Incumbent | Male   | 49 | 2015.12.29-2021.6.27 | 0       | 0 | 0 | 0 | 0       |



|       |    |    |    |    |    |         |   |   |   |         |
|-------|----|----|----|----|----|---------|---|---|---|---------|
| Total | -- | -- | -- | -- | -- | 594,562 | 0 | 0 | 0 | 594,562 |
|-------|----|----|----|----|----|---------|---|---|---|---------|

## 2. Changes in directors, supervisors, and senior management

√ Applicable □ N/A

| Name        | Title                  | Type    | Date      | Reason    |
|-------------|------------------------|---------|-----------|-----------|
| Jiang Yuhui | Deputy general manager | Appoint | 2020.1.10 | Appointed |
| Wu Qin      | Deputy general manager | Appoint | 2020.1.10 | Appointed |

## 3. Employment information

Professional background, work experience and major duties of current directors, supervisors and senior management.

Mr. Liu Miao, Male, born in 1969, MBA of Wright State University in the USA, Craft Master of Chinese liquor, senior marketing specialist. He used to serve as planning minister, general manager of Sales Company, general manager assistant, and deputy general manager of the Company. At present, he is chairman of the board and secretary of the party committee in the Company.

Mr. Lin Feng, Male, born in 1973, Master degree, senior marketing specialist. He was deputy general manager and general manager of Sales Company, director of marketing, director of human resources, chief dispatcher, deputy general manager of the Company. At present, he is director, deputy secretary of the party committee, general manager of the Company and general manager of Sales Company.

Mr. Wang Hongbo, Male, born in 1964, Master degree. He was director and secretary of party committee of Luzhou Commerce Bureau, director of Luzhou Liquor Industry Development Bureau, director of Luzhou branch of China council for the promotion of international trade, deputy secretary general, office director of Luzhou Municipal Party Committee and deputy secretary of the party committee of the Company. At present, he is director, deputy general manager, secretary of the board, and member of the party committee of the Company and chairman of the board of Luzhou Laojiao International Development (Hong Kong) Co.,Ltd.

Ms. Jiang Yuhui, Female, born in 1962, Master degree, senior political engineer. She used to serve as head of personnel education management section of the Company, deputy director and director of party committee office, deputy secretary of commission for discipline inspection, chairman of the supervisory committee, deputy secretary of the party committee, secretary of committee for discipline inspection of the Company. At present, she is director, deputy general manager, chairman of the labor union and member of the party committee of the Company.

Mr. Shen Caihong, Male, born in 1966, Master degree, professor-level senior engineer, one of the first batch of representative inheritors of national intangible cultural heritage, one of the first batch of "Sichuan craftsmen". He was manager of the Company's leaven-making branch, manager of base liquor company, general manager assistant and director of production department. At present, he is director, deputy general manager, chief engineer, director of national solid brewing engineering technology research center and chairman of the board of Luzhou Pinchuang Technology Co.,Ltd..

Mr. Du Kunlun, Male, born in 1969, Doctor of Economic, researcher, CPA, CPV. He was a member of the 12th and 13th mainboard committee of CSRC. At present, he is Master supervisor of Finance and Trade Economics Institute of Social Sciences Academy in Sichuan Province, non-executive director of Tongwei Co., Ltd, and SCIMEE Tech.&Sci.Co.,Ltd. He has served as a non-executive director of the Company since June 2015.

Mr. Xu Guoxiang, Male, born in 1960, Doctor of Economic, National Second-level Professor, Doctoral supervisor. He used to be the director of statistics department of Shanghai University of Finance and Economics. At present, he is the director of Shanghai University of Finance and Economics Applied Statistics Research Center, professor of Statistics and Management College of Shanghai University of Finance and Economics and deputy director of the teaching steering committee for statistics majors in institutions of higher learning of Ministry of Education, expert of the discipline planning evaluation group of national social science fund, executive director of China Statistical Society, member of Shanghai Stock Exchange Index Expert Committee, member of Index Expert Committee of China Securities Index Co. Ltd, director of the Branch Center of Shanghai University of Finance and Economics, supervisor of Shanghai Xintonglian Packaging Co.,Ltd. and Dazhong Transportation (Group) Co.,Ltd., non-executive director of Ziquan Energy Technology Co., Ltd. and Zhejiang Emergen ROBOT Technology Co., Ltd.. He has served as a non-executive director of the Company since June 2015.

Ms. Tan Lili, Female, born in 1954, Bachelor degree, professor-level senior accountant, professor-level senior engineer, senior auditor. She was director of audit department and financial department, leader of enterprise management consulting and guidance group of Wuhan Iron and Steel Co., Ltd.; deputy general manager, deputy chairman of the board of supervisors of Sany Heavy Industry Co., Ltd., non-executive director of Zhejiang Tiantie Industry Co.,Ltd.. At present, she is vice chairman of China Commercial Accounting Institute, deputy director of Business School of Enterprise Financial Management Association of China and non-executive director of Guangzhou Metro Design Institute. She has served as a non-executive director of the Company since June 2015.

Mr. Liu Junhai, Male, born in 1969, PhD, Doctoral supervisor. He was director assistant, office director and researcher of Law School of Chinese Academy of Social Sciences. At present, he is professor of Renmin University of China, director of the institute of commercial law, and non-executive director of Tus-Sound Environmental Resources Co., Ltd., and China Resources Double-Crane Pharmaceutical Co., Ltd.. He has served as a non-executive director of the Company since June 2018.

Mr. Qian Xu, Male, born in 1963, EMBA. He was general manager and chairman of the board of Beijing

Enterprises Real-Estate Group Co.,Ltd.. At present, he is chairman of the board and general manager of Beijing Enterprises Urban Development Group Co.,Ltd., chairman of the board of Beijing Properties (Holdings) Limited (Listed on the Hong Kong Stock Exchange), non-executive director of CAQ Holdings Limited (Listed on the Australian Stock Exchange). He has served as a non-executive director of the Company since June 2015.

Mr. Ying Hanjie, Male, born in 1969, Doctor of Biochemistry, and professor. He was deputy director of Pharmacy and Life Sciences School of Nanjing University of Technology. At present, he is director of National Biochemical Engineering Technology Research Center of Nanjing Tech University, chairman of the board of Nanjing Biotgether Co., Ltd., director of Nanjing High Tech University Biological Technology Research Institute Co., Ltd., and director of Jiangsu Institute of Industrial Biotechnology.

Mr. Lian Jing, Male, born in 1969, Bachelor degree. He was director of Economic Information Publicity Department of Luzhou Economic and Trade Commission; director of Fixed Assets Investment Department of Luzhou Development Planning Committee; director of Fixed Assets Investment Department of Luzhou Development and Reform Committee; chairman of the board and general manager of Luzhou State-owned Gongfang Operation Management Co., Ltd.; chairman of the board and general manager of Luzhou State-Owned Assets Management Co.,Ltd.; director, deputy general manager, general manager of Luzhou Hongyang State-Owned Assets Management Co.,Ltd; deputy secretary of the party committee, director, general manager of Luzhou Industrial Investment Group Co.,Ltd. At present, he is chairman of the supervisory committee of Luzhou State-Owned Capital operation and management Co. Ltd; executive director and general manager of Luzhou Guoxin Asset Management Co. Ltd; external director of Luzhou XingLu Investment Group Co., Ltd., Luzhou Liquor Industrial Park Development and Investment Co. Ltd., Luzhou Public Transportation Group Co. Ltd., Luzhou Culture Tourism Development Investment Group Co. Ltd. and Sichuan Rongtong Security Investment Group Co. Ltd. He has served as a supervisor of the Company since June 2012.

Ms. Yang Benhong, Female, born in 1966, Bachelor degree, senior political engineer. She was head of publicity section, director of education department and deputy director, director of human resources department of the Company. At present, she is supervisor and deputy chairman of labour union in the Company.

Mr. Cao Cong, Male, born in 1984, Bachelor degree. He was deputy manager of accounting department of Luzhou Winery Industry Jizhong Development District Co., Ltd., financial executive of Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., and deputy director of audit department of the Company. At present, he is supervisor and director of audit department of the Company.

Mr. Li Guangjie, Male, born in 1969, Master degree, economist. He was manager of Planning Department of the Company, deputy director of Sales Company, manager of Import and Export company, general manager assistant of Sales Company. At present, he is supervisor and deputy general manager of Sales Company.

Mr. Wu Qin, Male, born in 1962, Bachelor degree. He was deputy director of Luzhou Economic

Commission, deputy director of Luzhou Economic and Information Technology Commission, deputy director of Luzhou Development and Reform Commission, director of Luzhou Railway Construction Office and the chairman of the Company's supervisory committee. At present, he is the deputy general manager of the Company.

Ms. Xie Hong, Female, born in 1969, Master degree, senior accountant, and senior economist. She was section chief of Treasury Section of the Finance Bureau, section chief of Non-tax Revenue Collection Management Section, director of Luzhou Municipal Finance Treasury Payment Center, chief accountant of Luzhou Finance Bureau. At present, she is CFO of the Company.

Mr. He Cheng, Male, born in 1966, Master of Management Economics of Nanyang Technological University, senior engineer. He was director of business administration department, director of human resources department, general manager of Brewing Company, chief dispatcher and director of quality department of the Company. At present, he is deputy general manager and chief quality officer.

Mr. Zhang Suyi, Male, born in 1971, PhD, professor-level senior engineer, representative inheritor of Sichuan Intangible Cultural Heritage. He was director of Gouchu Center, deputy chief engineer, deputy general manager of Brewing Company and director of Liquor Body Design Center. At present, he is deputy general manager and director of safety and environmental protection of the Company.

#### Position in shareholder-holding companies

√ Applicable  N/A

| Name      | Name of shareholder-holding companies | Position in shareholder-holding companies | Beginning date of term | Ending date of term | Any remunerations received from shareholder-holding companies |
|-----------|---------------------------------------|---|------------------------|---------------------|---|
| Lian Jing | Laojiao Group                         | Chairman of the supervisory committee     |                        |                     | No  |
| Lian Jing | Xinglu Group                          | Outsider director                         |                        |                     | No  |

#### Position in other companies

√ Applicable  N/A

| Name      | Name of other companies                          | Position in other companies | Beginning date of term | Ending date of term | Any remunerations received from other companies |
|-----------|--|-----------------------------|------------------------|---------------------|---|
| Du Kunlun | Tongwei Co., Ltd, and SCIMEE Tech.&Sci.Co.,Ltd., | Non-executive director      |                        |                     |   |
| Du Kunlun | Sichuan Province Institute of Finance            | Deputy                      |                        |                     |   |

|             |  |  |  |  |  |
|-------------|--|--|--|--|--|
|             | and Trade Economics of Social Sciences Academy   | director                               |  |  |  |
| Xu Guoxiang | Shanghai University of Finance and Economics Applied Statistics Research Center  | Director                               |  |  |  |
| Xu Guoxiang | Shanghai Xintonglian Packaging Co.,Ltd. and Dazhong Transportation (Group) Co.,Ltd.  | Supervisor                             |  |  |  |
| Xu Guoxiang | Ziquan Energy Technology Co., Ltd. and Zhejiang Emergen ROBOT Technology Co., Ltd.   | Non-executive director                 |  |  |  |
| Tan Lili    | China Commercial Accounting Institute  | Vice chairman                          |  |  |  |
| Tan Lili    | Business School of Enterprise Financial Management Association of China  | Deputy director                        |  |  |  |
| Tan Lili    | Guangzhou Metro Design Institute   | Non-executive director                 |  |  |  |
| Liu Junhai  | Institute of Commercial Law of Renmin University of China  | Director                               |  |  |  |
| Liu Junhai  | Tus-Sound Environmental Resources Co., Ltd., China Resources Double-Crane Pharmaceutical Co., Ltd.                                 | Non-executive director                 |  |  |  |
| Qian Xu     | Beijing Enterprises Urban Development Group Co.,Ltd.   | Chairman of the board, general manager |  |  |  |
| Qian Xu     | Beijing Properties (Holdings) Limited  | Chairman of the board                  |  |  |  |
| Qian Xu     | CAQ Holdings Limited.  | Non-executive director                 |  |  |  |
| Ying Hanjie | National Biochemical Engineering Technology Research Center of Nanjing University of Technology                                    | Director                               |  |  |  |
| Ying Hanjie | Nanjing Biotgether Co., Ltd.   | Chairman of the board                  |  |  |  |
| Ying Hanjie | Nanjing High Tech University Biological Technology Research Institute Co., Ltd., and Jiangsu Institute of Industrial Biotechnology | Director                               |  |  |  |
| Lian Jing   | Luzhou State-Owned Capital Operation   | Chairman of                            |  |  |  |

|           |  |                                     |  |  |  |
|-----------|--|-------------------------------------|--|--|--|
|           | and Management Co. Ltd   | the supervisory committee           |  |  |  |
| Lian Jing | Luzhou Guoxin Asset Management Co. Ltd.  | Executive director, general manager |  |  |  |
| Lian Jing | Luzhou Liquor Industrial Park Development and Investment Co. Ltd., Luzhou Public Transportation Group Co. Ltd., Luzhou Culture Tourism Development Investment Group Co. Ltd., Sichuan Rongtong Security Investment Group Co. Ltd | External director                   |  |  |  |

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and senior management as well as those who left in the reporting period

Applicable  N/A

#### 4. Remuneration of directors, supervisors and senior management

The following describes the decision-making procedures, grounds on which decisions are made and actual remuneration payment of directors, supervisors and senior management.

Decision-making procedures for directors, supervisors and senior management: The remuneration of non-executive directors, external directors and external supervisors shall be determined by the general meeting of shareholders, and the remuneration of directors, supervisors and senior management who hold positions within the Company shall be determined by relevant rules of SASAC of Luzhou and relevant rules of the Company.

Grounds on which decisions are made of directors, supervisors and senior management: Calculate according to the assessment index and weight established at the beginning of the year.

Actual remuneration payment of directors, supervisors and senior management: Details refer to "Remuneration of directors, supervisors and senior management during the reporting period".

Remuneration of directors, supervisors and senior management during the reporting period

Unit CNY 10,000

| Name | Position | Gender | Age | Incumbent/<br>Former | Total before-tax remuneration from the | Remuneration from related parties of the |
|------|----------|--------|-----|----------------------|--|--|
|------|----------|--------|-----|----------------------|--|--|

|              |  |        |    |           | Company | Company |
|--------------|--|--------|----|-----------|---------|---------|
| Liu Miao     | Chairman of the board,<br>Secretary of the party committee   | Male   | 51 | Incumbent | 77.6    | No      |
| Lin Feng     | Director,<br>general manager,<br>Deputy secretary of the party committee                           | Male   | 47 | Incumbent | 77.6    | No      |
| Wang Hongbo  | Director, Deputy general manager,<br>member of the party committee,<br>Secretary of the board      | Male   | 57 | Incumbent | 62.08   | No      |
| Jiang Yuhui  | Director, Deputy general manager,<br>member of the party committee,<br>chairman of the labor union | Female | 58 | Incumbent | 62.08   | No      |
| Shen Caihong | Director, Deputy general manager   | Male   | 55 | Incumbent | 62.08   | No      |
| Du Kunlun    | Non-executive director   | Male   | 52 | Incumbent | 9.52    | No      |
| Xu Guoxiang  | Non-executive director   | Male   | 61 | Incumbent | 9.52    | No      |
| Tan Lili     | Non-executive director   | Female | 66 | Incumbent | 9.52    | No      |
| Liu Junhai   | Non-executive director   | Male   | 51 | Incumbent | 9.52    | No      |
| Qian Xu      | External director  | Male   | 57 | Incumbent | 9.52    | No      |
| Ying Hanjie  | External director  | Male   | 51 | Incumbent | 9.52    | No      |
| Lian Jing    | Supervisor   | Male   | 51 | Incumbent | 0       | No      |

|              |                        |        |    |           |        |    |
|--------------|------------------------|--------|----|-----------|--------|----|
| Yang Benhong | Supervisor             | Female | 54 | Incumbent | 59.63  | No |
| Cao Cong     | Supervisor             | Male   | 36 | Incumbent | 38.81  | No |
| Li Guangjie  | Supervisor             | Male   | 51 | Incumbent | 90.26  | No |
| Wu Qin       | Deputy general manager | Male   | 59 | Incumbent | 62.08  | No |
| Xie Hong     | CFO                    | Female | 51 | Incumbent | 62.08  | No |
| He Cheng     | Deputy general manager | Male   | 54 | Incumbent | 62.08  | No |
| Zhang Suyi   | Deputy general manager | Male   | 49 | Incumbent | 62.08  | No |
| Total        | --                     | --     | -- | --        | 835.58 | -- |

Share incentives for directors, supervisors and senior executives in the reporting period

Applicable  N/A

## 5. Staff in the Company

### 5.1 Number, functions and educational backgrounds of the staff

|  |                 |
|--|-----------------|
| Number of in-service staff of the parent company   | 914             |
| Number of in-service staff of main subsidiaries  | 2,416           |
| Total number of in-service staff   | 3,330           |
| Total number of staff with remuneration in the period  | 3,330           |
| Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension | 870             |
| <b>Functions</b>   |                 |
| Function by category   | Number of staff |
| Production staff   | 1,296           |
| Sales staff  | 877             |
| R&D staff  | 570             |
| Financial staff  | 100             |
| Administrative staff   | 487             |
| Total  | 3,330           |
| <b>Educational backgrounds</b>   |                 |
| Educational background by category   | Number of staff |
| Senior high school and below   | 584             |



|                |       |
|----------------|-------|
| Junior college | 1,019 |
| Bachelor       | 1,424 |
| Master         | 297   |
| Doctor         | 6     |
| Total          | 3,330 |

## 5.2 Staff remuneration policy

In 2020, the Company established the distribution policy of "sharing benefits, paying for losses, classification and setting, and long-term policy effects", continuously strengthened the digital assessment, linked individual performance with organizational performance, and highlighted the distribution according to performance. The Company implemented the post rating wage system and strengthened the performance management of all employees. According to the following principles:

**Link individual performance with organizational performance:** The increase of wages is linked to the increase of the Company's operating performance and profit growth; Under the same caliber, the proportion of increase in salaries shall not exceed the proportion of increase in performance and profit growth.

**Salary and its changes based on position, ability and performance:** The salary of employee shall be determined by position and the depth of their expertise. The salary shall be adjusted accordingly when the position, ability and performance change.

**Performance orientation, bonus and forfeit:** Performance assessment is conducted according to the actual contributions of employees, and the salary distribution is inclined to the employees with excellent performance.

**The principle of equal wage negotiation:** Abide by the principles that both sides of labor and capital agrees in collective negotiation, so as to realize the unity of benefit and fairness.

## 5.3 Staff training plans

In 2020, based on the staff career development system and job qualification standards, the Company implemented a targeted training system comprising different levels to meet demands for staff ability improvement for different positions and different career development stages.

**Sail Program:** The "Sail Program" training was conducted for new employees hired through campus and social recruitment and for other grassroots employees. The purpose was to enhance new employees' understanding and recognition of the Company's core values, familiarize them with the Company's production and operation statuses and their work procedures, and allow them to accumulate professional knowledge and skills and improve their ability to work independently.

Dive Program: The “Dive Program” training was conducted for general employees on specialized lines. The purpose was to strengthen their specialty knowledge and ability to solve specialty problems, enhance their basic management skills, improve their competency and raise their performance. Due to the huge coverage of trainees across different business segments, the training was conducted in the form of sub-programs, such as “Happy Learning Sub-program” and “Craftsman Sub-program” to provide specialty knowledge and skills of different systems.

Voyage Program: The “Voyage Program” training was conducted for key personnel with a systematic design of three-year development plans and a focus on three themes, including “self-management”, “work management” and “interpersonal management”. The purpose was to enrich employees’ knowledge on corporate business management, improve their knowledge structure, and enhance their strategic understanding and abilities of work and team management.

Steering Program: The “Steering Program” training was conducted for middle management personnel and department experts in the form of online and offline combined, “coming in” and “going out” combined and ability enhancement and work style building combined. Through the learning of advanced management concepts and practices, the training aimed to drive employees to broaden their mind, expand their vision, strengthen their leadership skills and enhance their level of corporate management.

In addition, in terms of professional talents training, in combination with the strategic needs of talent development and relevant policies of provinces and cities, the Company actively carries out the work of staff title appraisal, skill appraisal, recommendation and assessment and so on.

#### **5.4 Labor outsourcing**

Applicable  N/A

## Section X Corporate Governance

### 1. Basic situation of corporate governance

Since it was listed, in accordance with *the Corporate Law, the Securities Law, The Listed Company Governance Standards* and other laws, administrative regulations and departmental rules and normative documents, the Company has constantly perfected corporate governance structure, standardized its operation, established the rules and system on the basis of the Company's articles of association whose main framework is the rules of procedure of the shareholders' general meeting, rules of procedure of the board of directors and rules of procedure of the board of supervisors, which is formed the management system whose main structure is the shareholders meeting, board of directors, board of supervisors and management. During the reporting period, the Company won a number of honors and awards, including "The 11<sup>th</sup> China Listed Companies Investors Tianma Awards—Best Investor Relations Management, Best Board Secretary, and Best New Media Operation", "Taurus Prize—Best Investment Value", and "The 16<sup>th</sup> New Fortune Top Board Secretary".

Any incompliance with the regulatory documents related to the governance of listed companies issued by the CSRC

Yes  No

There is no incompliance with the regulatory documents related to the governance of listed companies issued by the CSRC.

### 2. Independency of businesses, personnel, assets, organizations and finance which are separated from the controlling shareholder

The Company has an independent and complete production and operation system and independent decision-making ability. There is no horizontal competition between the Company and the controlling shareholders and its subsidiaries. The Company has daily affiliated transactions with the controlling shareholders and its subsidiaries. Such daily affiliated transactions belong to the need of rational allocation of resources and do not affect the independence of the Company. For affiliated transactions, the Company has strictly fulfilled the relevant decision-making procedures and information disclosure obligations, and implemented the system of Non-executive directors' prior examination and avoidance system of related directors (shareholders).

#### 2.1 In the aspect of assets

Asset integrity. There are clear ownership and independency of the Company's assets invested by controlling shareholders. The Company has an independent and complete production, supply, sales system and auxiliary production system and supporting facilities. The industrial property rights, trademarks and non-patented technology and other intangible assets are owned by the Company. There is no situation that the controlling shareholders occupy and transfer the assets of the company.

## 2.2. In the aspect of business

Business apart. The Company is totally independent in the operation, production and sales of liquor series of “Luzhou Laojiao” and “National Cellar 1573”. It has the ability to operate independently in the market. The board of directors and the management can independently make production and operation decisions within the corresponding authority.

## 2.3 In the aspect of personnel

The Company has built independent labor management, personnel management and salary management. The Company has established a relatively complete labor management system and post responsibility system. Meanwhile, the Company's senior management personnel all receive salary in the Company, but not at the controlling shareholders.

## 2.4 In the aspect of organization

Organization independence. The Company has independent production management organization and system, independent office and production management place, and independent management organization, functional organization and branch.

## 2.5 In the aspect of finance

Financial independence. The Company has completed and independent financial department. Independent accounting system and financial management are established. The Company separately sets bank accountants, conducts external settlement and pays taxes according to law.

## 3. Horizontal competition

Applicable  N/A

## 4. Annual meeting of shareholders and special meetings of shareholders convened during the reporting period

### 4.1. Meetings of shareholders convened during the reporting period

| Meeting                                     | Type                            | Investor participation ratio | Convened date | Disclosure date | Disclosure index   |
|---|---------------------------------|------------------------------|---------------|-----------------|--|
| 2019 Annual General Meeting of Shareholders | General Meeting of Shareholders | 61.57%                       | 30 June 2020  | 1 July 2020     | “Luzhou Lao Jiao Co.,Ltd. 2019 Annual General Meeting Resolution Announcement”<br>Announcement |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  |  | No:2020-20,<br>( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) |
|--|--|--|--|--|--|

#### 4.2. Special meetings of shareholders convened at the request of preferred shareholders with resumed voting rights

Applicable  N/A

### 5. Performance of non-executive directors during the reporting period

#### 5.1. Attendance of non-executive directors in board meeting and meeting of shareholders

| Attendance of non-executive director in board meeting |  |                            |   |                                    |                 |                                   |                                       |
|---|--|----------------------------|---|------------------------------------|-----------------|-----------------------------------|---------------------------------------|
| Non-executive director                                | Attendance due in the reporting period (times) | Attendance on site (times) | Attendance by telecommunication (times) | Attendance through a proxy (times) | Absence (times) | Absence for two consecutive times | Attendance at general meeting (times) |
| Du Kunlun   | 8  | 3                          | 5                                       | 0                                  | 0               | No                                | 1                                     |
| Xu Guoxiang   | 8  | 3                          | 5                                       | 0                                  | 0               | No                                | 1                                     |
| Tan Lili  | 8  | 3                          | 5                                       | 0                                  | 0               | No                                | 1                                     |
| Liu Junhai  | 8  | 2                          | 5                                       | 1                                  | 0               | No                                | 0                                     |

#### 5.2. Objections from non-executive in related issues of the Company

Were there any objections on related issues of the Company from non-executive director

Yes  No

Non-executive director has no objection on related issues of the Company during the reporting period.

#### 5.3. Other details about the performance of duties by non-executive directors

Was there any advice from non-executive directors adopted by the Company?

Yes  No

Explanation about advice of non-executive directors is adopted or not adopted by the Company or not

The Company adopted the advice of non-executive directors in respect of safe production, system improvement, and internal control construction.

## 6. Performance of duties by special committees under the board during the reporting period

The board of directors of the Company has four special committees including the Strategic Committee, the Remuneration and Appraisal Committee, the Nominations Committee and the Audit Committee. Each committee has a clear division of labor, clear responsibilities and effective operation. During the reporting period, the Strategic Committee, the Nominations Committee and the Audit Committee held one, one and three meetings, respectively, to review outbound investment, senior management appointment, audit, internal control and other matters. They provided scientific and professional opinions for significant decision-making of the board.

## 7. Performance of duties by the supervisory committee

Were there any risks to the Company identified by supervisory committee when performing its duties during the reporting period

Yes  No

The supervisory committee has no objection during the reporting period.

## 8. Evaluation and motivation mechanism for the senior management

Remuneration and evaluation for the senior management can be found in section IX: Profiles of Directors, Members of Supervisory Committee, Senior Management and Employees.

## 9. Internal control

### 9.1. Significant internal control deficiencies found in the reporting period

Yes  No

### 9.2. Internal control self-assessment report

|   |  |
|---|--|
| Disclosure date of the internal control self-assessment report                                  | 30 April 2021  |
| Disclosure index of the internal control self-assessment report                                 | 2020 Internal Control Self-assessment Report ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) |
| Ratio of the total assets of the appraised entities to the consolidated total assets            | 90.00%   |
| Ratio of the operating revenues of the appraised entities to the consolidated operating revenue | 90.00%   |
| Deficiencies identification standard  |  |

| Type  | Financial report  | Non-financial report   |
|---|---|--|
| Qualitative standard                                      | Significant deficiencies: (1) Correction of material errors in financial reports that have been announced (except retroactive adjustment of previous years due to changes in policies or other objective factors); (2) Material misstatement of current financial report which was unrecognized but found by the auditor; (3) Corrupt transaction of senior management; (4) Audit committee and internal audit department are not effective to the internal control supervision .   | Significant deficiencies: (1) violate national regulations and laws; (2)The Company's decision-making procedures are unscientific; if there is a decision-making misplay, it will result in significant deal failure; (3) The substantial loss of managerial or technical staff; (4) Important business lacks system control or system failure, important economic business has internal control system guidance, but with no effective operation; (5) significant deficiencies of internal control cannot be rectified in time. |
| Quantitative standard                                     | <p>1. Significant deficiencies: Misstatement <math>\geq 5\%</math> of total profits; Misstatement <math>\geq 1\%</math> of total assets; Misstatement <math>\geq 5\%</math> of total operating revenue; Misstatement <math>\geq 5\%</math> of owner's equity</p> <p>2. Material deficiencies: 3% of gross profits <math>\leq</math> Misstatement <math>&lt; 5\%</math> of gross profits; 0.5% of total assets <math>\leq</math> Misstatement <math>&lt; 1\%</math> of total assets; 3% of total operating revenue <math>\leq</math> Misstatement <math>&lt; 5\%</math> of total operating revenue; 3% of owner's equity <math>\leq</math> Misstatement <math>&lt; 5\%</math> of owner's equity.</p> <p>3. General deficiencies: Misstatement <math>&lt; 3\%</math> of gross profits; Misstatement <math>&lt; 0.5\%</math> of total assets; Misstatement <math>&lt; 3\%</math> of total operating revenue; Misstatement <math>&lt; 3\%</math> of owner's equity.</p> | <p>1. Significant deficiencies: ratio of loss of net profits <math>\geq 5\%</math>.</p> <p>2. Material deficiencies: 3% <math>\leq</math> ratio of loss of net profits <math>&lt; 5\%</math>.</p> <p>3. General deficiencies: ratio of loss of net profits <math>&lt; 3\%</math></p>   |
| Number of financial-report significant deficiencies       |   | 0  |
| Number of non-financial-report significant deficiencies   |   | 0  |
| Number of important financial-report related deficiencies |   | 0  |
| Number of important Non-financial-report related          |   | 0  |

|              |  |
|--------------|--|
| deficiencies |  |
|--------------|--|

## 10. Internal control auditor report

Applicable  N/A

| Deliberation opinion section in the internal control audit report   |  |
|---|--|
| The Company has maintained effective internal control of financial reports in accordance with the Basic Rules for Internal Control of Enterprises and relevant regulations. |  |
| Disclosure of internal control audit report   | Disclosed  |
| Disclosure date of the internal control audit report  | 30 April 2021  |
| Disclosure index of the internal control audit report   | 2020 Internal Control Auditor Report ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) |
| Type of the audit's opinion   | Standard unqualified opinion   |
| Significant deficiencies found in the non-financial report  | No   |

The accounting firm issued the internal control audit report of non-standard opinions

Yes  No

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

Yes  No



## Section XI Information about Corporate Bond

Whether there exists a public issue and listing of corporate bond that is not yet due or failed to be redeemed at the date of the financial report authorized.

Yes

### 1. Basic information about the corporate bond

| Name   | Abbr.          | Code      | Issue date     | Due date       | Bond balance<br>(CNY 10,000) | Interest rate | Way of redemption   |
|--|----------------|-----------|----------------|----------------|------------------------------|---------------|---|
| 2019 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors (Phase I) | 19 Lao Jiao 01 | 112959.SZ | 27 August 2019 | 28 August 2024 | 250,000                      | 3.58%         | In terms of the bonds of this phase, interests will be paid by year and the principal will be repaid in lump sum at maturity. The interests will be paid once every year and the interests for the last installment will be paid together with the principal. |
| 2020 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors           | 20 Lao Jiao 01 | 149062.SZ | 17 March 2020  | 17 March 2025  | 150,000                      | 3.50%         | In terms of the bonds of this phase, interests will be paid by year and the principal will be repaid in lump sum at   |

|  |   |  |  |  |  |  |   |
|--|---|--|--|--|--|--|---|
| (Phase I)  |   |  |  |  |  |  | maturity. The interests will be paid once every year and the interests for the last installment will be paid together with the principal. |
| Listed or transferred trading place of corporate bond  | Shenzhen Stock Exchange   |  |  |  |  |  |   |
| Appropriate arrangement of the investors   | The bonds are applicable to eligible investors who have qualified securities accounts with Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., are permitted to engage in the subscription and transfer of corporate bonds in accordance with the <i>Management Measures for the Issue and Transaction Management of Corporate Bonds</i> , <i>Management Measures for the Suitability of Securities and Futures Investors</i> , <i>Management Measures of Shenzhen Stock Exchange for the Suitability of Securities Market Investors</i> , and relevant laws and regulations, and have the corresponding risk identification and bearing capacity (excluding those prohibited by laws and regulations) |  |  |  |  |  |   |
| Interest payment during the reporting period   | 1. The interest payment from 28 August 2019 to 27 August 2020 for “19 Lao Jiao 01” has been completed by the Company on 28 August 2020.<br>2. The interest payment from 17 March 2020 to 16 March 2021 for “20 Lao Jiao 01” has been completed by the Company on 17 March 2021.   |  |  |  |  |  |   |
| Execution of the relevant regulations during the reporting period such as the affiliated option clause of the issuers or investors, special clauses such as the exchangeable regulations of corporate bond (if applicable) | The term of “19 Lao Jiao 01” is five years with the issuer’s option for adjustment to the stated interest rate and the investor’s option for sell back at the end of the 3 <sup>rd</sup> year.  |  |  |  |  |  |   |

## 2. List of the bond trustee and the rating organization

|               |                             |                |   |                |        |                |                |
|---------------|-----------------------------|----------------|---|----------------|--------|----------------|----------------|
| Bond trustee: |                             |                |   |                |        |                |                |
| Name          | China International Capital | Office address | 27 <sup>th</sup> and 28 <sup>th</sup> Floor, China World Office | Contact person | Qi Qin | Contact number | (010) 65051166 |

|  |  |  |   |   |  |  |  |
|--|--|--|---|---|--|--|--|
|  | Corporation Limited.                                 |  | 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing |   |  |  |  |
| Rating organization executed the tracking rating of the corporate bonds of the reporting period:   |  |  |   |   |  |  |  |
| Name   | China Chengxin International Credit Rating Co., Ltd. |  | Office address  | Building 6, Galaxy SOHO, No.2 Nanzhugan hutong,Chaoyangmennei Avenue, Dongcheng District, Beijing |  |  |  |
| Alternation reasons, execution process and influences on the investors' interests etc. if there was alternation of the bond trustees and the credit rating agencies engaged by the Company during the reporting period (if applicable) |  |  | N/A   |   |  |  |  |

### 3. Information about usage of fund-raising of the corporate bond

|   |  |
|---|--|
| Information about usage of fund-raising and the execution process of corporate bond | The Company raised a fund of CNY 4.0 billion through the issue of corporate bonds respectively on 27 August 2019 and 17 March 2020. After deduction of the issue fees, the balance amount was set to use in the technical renovation project of brewing (Phase II), Project of Intelligent Upgrading and Building of the Information Management System, Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base and Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base. As of 31 December 2020, CNY 2,303,683,000 of the fund-raising through the issue of corporate bonds had been used. |
| Closing balance (CNY 10,000)  | 175,203.88   |
| Operating situation of the fund-raising special account                             | In accordance with related laws and regulations, the Company has designated several accounts specifically for fundraising to receive, deposit and transfer funds raised through the issue of corporate bonds and pay interests and principals.<br>Details of these bank accounts are as follows:<br>(1) account name: Luzhou Laojiao Co., Ltd.<br>bank: CGB Chengdu Branch<br>account number: 9550880046723000135<br>(2) account name: Luzhou Laojiao Co., Ltd.<br>bank: Bank of Communications Luzhou Branch  |

|   |   |
|---|---|
|   | <p>account number: 517517460013000000860</p> <p>(3) account name: Luzhou Laojiao Co., Ltd.</p> <p>bank: CMBC Chengdu Fucheng Avenue Branch</p> <p>account number: 028900140410888</p> <p>(4) account name: Luzhou Laojiao Co., Ltd.</p> <p>bank: China Minsheng Bank Chengdu Branch</p> <p>account number: 631395395</p> <p>The Company has signed a third-party regulation agreement with each bank and the trustee.</p> |
| Whether the usage of the fund-raising met with the usage, using plan and other agreements committed on the prospectus | The usage of the fund-raising met with the usage committed on the prospectus  |

#### 4. Rating situation of corporate bond information

On 15 August 2019, China Chengxin Securities Rating Co., Ltd. issued a credit rating report for “19 Lao Jiao 01”. The Company’s main body has a credit rating of AAA and a stable rating outlook; the bond’s credit rating is AAA.

On 2 March 2020, China Chengxin International Credit Rating Co., Ltd. issued a credit rating report for “20 Lao Jiao 01”. The Company’s main body has a credit rating of AAA and a stable rating outlook; the bond’s credit rating is AAA.

#### 5. Credit-adding mechanism, repayment plan and other repayment guarantee measures of the corporate bond

Not applicable

#### 6. Information about convening of the bondholders meeting during the reporting period

The Company did not convene bondholders meeting during the reporting period.

#### 7. Information about duty execution of bond trustee during the reporting period

During the validity of the corporate bond, the trustee performed continuous tracking of the Company’s credit information and management and utilization of the fund-raising strictly in accordance with the *Bonds Trusteeship Agreement*, urged the Company to fulfill its obligations agreed in the prospectus of the corporate bond, proactively exercised its duties as a bonds trustee and safeguarded the legitimate

rights and interests of the bondholders.

CICC produced an interim report on the trusteeship affairs for the Company's involvement of significant litigation respectively on 17 April 2020, 12 May 2020 and 18 November 2020, produced the 2019 report on the trusteeship affairs on 30 June 2020 and disclosed it synchronously on cninfo ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

## 8. The major accounting data and the financial indicators of the recent 2 years of the company as of the end of the reporting period

Unit: CNY 10,000

| Item                            | 2020       | 2019       | YoY change |
|---------------------------------|------------|------------|------------|
| EBITDA                          | 851,360.72 | 641,080.79 | 32.80%     |
| Current ratio                   | 256.72%    | 240.36%    | 16.36%     |
| Asset-liability ratio           | 33.78%     | 32.38%     | 1.40%      |
| Quick ratio                     | 195.15%    | 184.48%    | 10.67%     |
| Total debt ratio of EBITDA      | 203.61%    | 257.85%    | -54.24%    |
| Times interest earned           | 30.88      | 41.31      | -25.25%    |
| Times interest earned of EBITDA | 32.05      | 42.42      | -24.45%    |

Main reason of the above accounting data and the financial indicators with the YoY change exceeded 30%

√ Applicable □ N/A

1. EBITDA increased 32.80% year-on-year, total debt ratio of EBITDA decreased 54.24%, mainly due to increase in sales revenue and net profit for the reporting period.

## 9. Information about interest payment of other bonds and debt financing instruments during the reporting period

Not applicable

## 10. Information about acquired bank credit lines, usage and repayment of the bank loans during the reporting period

In 2020, the Brewing Company obtained credit lines of CNY 1 billion from CIB, CNY 600 million from BOC, and CNY 1.7 billion from ICBC. In 2020, the Brewing Company issued notes with a total value of CNY 128,111,023.58 (including CNY 99,111,023.58 to CIB, CNY 26,600,000.00 to BOC, and CNY

2,400,000.00 to ICBC). As of 31 December 2020, the Brewing Company had covered position with CNY 6,825,905.98 in CIB.

### **11. Information about the execution of the agreements or the commitments related to the corporate bond fund-raising specification during the reporting period**

During the reporting period, the Company used the raised funds strictly according to the agreements related to the corporate bond fund-raising specification.

### **12. Significant events occurring during the reporting period**

No significant events during the reporting period.

### **13. Whether there was guarantor of the corporate bond**

Yes  No

## Section XII Financial Report

### 1. Auditor's report

|                                  |                                   |
|----------------------------------|-----------------------------------|
| Type of audit report             | Standard without reserved opinion |
| Signing date of auditor's report | 29 April 2021                     |
| Name of Audit                    | Sichuan Huaxin (Group) CPA Firm   |
| No. of auditor's report          | Chuan Huaxin Audit [2021] No.0036 |
| Names of auditors                | Li Wulin, Tang Fangmo, He Shoufu  |

#### Auditor's Report

To the shareholders of Luzhou Laojiao Co., Ltd.:

#### Opinion

We have audited the financial statements of Luzhou Laojiao Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2020, consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended; and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the company as at 31 December 2020 and its operating results and cash flow for the year then ended.

#### Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs") for Certified Public Accountants. 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 the Company in accordance with the Code of professional ethics for Certified Public Accountants in China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our

audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters identified in our audit are summarized as follows:

| <b>1. Key audit matters-Recognition of domestic liquor sales revenue</b>  |   |
|---|---|
| <b>Key audit matters</b>  | <b>How our audit addressed the Key Audit Matter</b>   |
| <p>As shown in Note 5.31 in the Financial Statements, the domestic liquor sales revenue in the Company is CNY 16,399,797,600, accounting for 99.71% of the primary business revenue of CNY 16,447,960,600. It is the main source of the Company's operating profit. For the operating revenue is one of the key results indicators and the inherent risk of its misstatement is relatively high, therefore, we identified the recognition of domestic liquor sales revenue as a key audit matter.</p> | <p>Our procedures in relation to recognition of domestic liquor sales revenue included:</p> <ol style="list-style-type: none"> <li>1. Understood, evaluated and tested the reasonableness and effectiveness of the internal control design related to the Company's revenue. Particular attention was paid to the appropriateness of specific conditions for recognition of revenue.</li> <li>2. Compared the key indicators such as sales volume, unit price of sales and gross profit rate of the Company in the current period with those in the previous period, so as to identify the rationality of changes in key indicators and reasons for changes.</li> <li>3. The income of the top five customers accounted for 74% of the total business income. For the top five customers, we carried out the following audit procedures to verify the occurrence, completeness and accuracy of the revenue recognized by the management: <ul style="list-style-type: none"> <li>(1) Obtained the sales contract signed by the Company and the customer, carefully read the key terms of the contract, and understand the implementation of the contract;</li> <li>(2) Performed the confirmation procedure. We sent confirmation letters to verify the amount of sales revenue in the reporting period and the closing balance of accounts receivables or advance from customer during the reporting period. For local customers in Luzhou, we went to their office to carry out confirmation procedure and obtained the situation of purchase, sales and storage of Luzhou Laojiao brand liquor during the reporting period, so as to analyze and judge whether there are abnormal fluctuations in its inventory and its rationality; For customers outside Luzhou, we mailed confirmation letters and controlled the whole process of reply letter by ourselves.</li> <li>(3) Inquired the customer's business information and key personnel information, and checked whether they are related party of the Company.</li> </ul> </li> </ol> |



|  |  |
|--|--|
|  | <p>4. For other customers, randomly checked sales contracts, customers' purchase orders, shipping documents, transport documents, accounting vouchers, payment receipts, customer signature records and other materials to verify the occurrence, completeness and accuracy of the revenue recognized by the management.</p> <p>5. Selected the confirmation voucher of large amount of sales before and after the balance sheet date, paid attention to the date of sales invoice and customer receipt, and paid attention to whether there is a large amount of return after the period, so as to verify whether the corresponding revenue is included in the appropriate accounting period.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's recognition of domestic liquor sales revenue.</p>   |
| <b>2. Key audit matters-Existence of bank deposits</b>   |  |
| <b>Key audit matters</b>   | <b>How our audit addressed the Key Audit Matter</b>  |
| <p>As of 31 December 2020, the bank balance of the Company is CNY 11.617 billion, accounting for 33% of the total assets. Bank deposits are high-risk assets. Therefore, we identified the existence of bank deposits as a key audit matter.</p> | <p>Our procedures in relation to existence of bank deposits included:</p> <ol style="list-style-type: none"> <li>1. Understood and tested the design and implementation of key internal controls related to the funds management cycle to confirm the effectiveness of relevant internal controls.</li> <li>2. Accompanied by relevant personnel of the Company, auditors went to the bank by themselves where the Company opens a basic bank account to print the account opening list of the Company and check the account opening information individually.</li> <li>3. Checked the carrying amount of all bank accounts with the original amount of bank statements and certificates of deposit, and obtained all copies.</li> <li>4. Based on the results of checking the amount of bank statements, obtained the balance reconciliation of all bank accounts compiled by the Company, and check all the outstanding items, whether there are any important overdue items that are not booked in time.</li> <li>5. Implemented the confirmation procedure for the Company's bank deposits, in which the local deposit accounts in Luzhou were confirmed by auditors and the Company's cashier in the bank; The confirmation letters of deposit accounts outside Luzhou were sent out by mailing after auditors checked the address and the</li> </ol> |

|  |   |
|--|---|
|  | <p>receiver through telephone, network and other public information, and we controlled the whole reply letter process by ourselves.</p> <p>6. Obtained and reviewed time deposits or structured deposit agreements, identified the types of relevant bank deposits, analyzed the principal and interest recovery risks, and judged the adequacy of the disclosure.</p> <p>7. Inquired the management and relevant personnel about the purpose of all bank accounts on the Company's books and analyzed whether there are abnormal use or bank accounts opened for unknown reasons.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's assertion of the existence of bank deposits.</p> |
|--|---|

### 3. Key audit matters- Recognition of the book value, the time and amount of pre-transfers into fixed assets of the technical renovation project of brewing

| Key audit matters   | How our audit addressed the Key Audit Matter   |
|---|--|
| <p>As shown in Note 5.11 of the financial statements, the Company's budgeted investment in the technical renovation project of brewing is CNY 8,877,276,500. The Company intends to increase fixed assets and intangible assets of CNY 6,463,488,800 from transfer in 2020, and the balance of the construction in progress will be CNY 968,634,800 at the end of the construction. Because the amount spent on the technical renovation project of brewing is significant, the recognition of the time and amount of transfer from construction in progress to fixed assets involves the estimation and judgment of the management, and the withdrawal of depreciation and amortization has a direct impact on the current profit, we identified the recognition of the book value, the time and amount of pre-transfers into fixed assets of the technical renovation project of brewing as a key audit matter.</p> | <p>Our procedures in relation to the recognition of the book value, the time and amount of pre-transfers into fixed assets of the technical renovation project of brewing included:</p> <p>1. Understood and tested the design and implementation of key internal controls related to the assets management cycle to confirm the effectiveness of relevant internal controls.</p> <p>2. Check on project investment: we selected samples for new important amounts occurred in the current period with regard to the technical renovation project of brewing, reviewed the ledger of the project contracts, and examined supporting documents related to it, including tender and bidding documents, project establishment or budget documents, project contracts and invoices, final statement of the project, procurement contracts and invoices, and payment approvals.</p> <p>3. Check the time and recheck the amount of pre-transfers into fixed assets:</p> <p>The Company selected for new important amounts transferred into fixed assets in the current period with regard to the technical renovation project of brewing, and checked the inspection reports jointly confirmed by the five ownership including supervisors, constructors, designers, inspectors and Project Responsible Unit. The Company also checked the Notice on Project Transfer</p> |

|  |   |
|--|---|
|  | <p>into Fixed Assets compiled by the Project Responsible Unit and related approval procedures, and made a comparative analysis between production materials input and semi-finished products output. At the same time, the Company confirmed the accuracy of the time point of transfers from projects in progress to fixed assets through the survey at project construction sites and interviews with project management personnel.</p> <p>The Company collected and checked the information on pre-transfers into fixed assets such as the temporary assessment schedule of the project. Based on the project budget and the settlement expenditure that has incurred, the Company analyzed and judged the rationality of the amount of pre-transfers into fixed assets.</p> <p>4. Based on our understanding and comparison, we assessed the reasonableness of the management's estimation on the service life and net salvage value of the part transferred into fixed assets.</p> <p>5. Check on construction in progress: we checked the status of the technical renovation project of brewing through site survey, observed, understood and inquired about the project progress and construction statuses, and compared the project progress report and the actual progress.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's assertion of the recognition of the book value, the time and amount of pre-transfers into fixed assets of the technical renovation project of brewing.</p> |
|--|---|

### Other information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

**Responsibilities of directors and those charged with governance for the financial statements**

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the disclosure requirements of Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- (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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (4) Conclude on the appropriateness of the directors' 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 the Company'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 the Company 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 the 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 the governance, we determine those matters that were of most significance in the audit of the consolidated 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.

## 2. Financial statements

Monetary unit for the financial statements and the notes thereto: CNY

Prepared by: Luzhou Laojiao Co.,Ltd.

### Consolidated balance sheet As at 31 December 2020

Monetary Unit: CNY

| Item                              | Balance as at 31 December 2020 | Balance as at 31 December 2019 |
|-----------------------------------|--------------------------------|--------------------------------|
| <b>Current assets:</b>            |                                |                                |
| Cash and cash equivalents         | 11,624,870,340.60              | 9,753,666,526.78               |
| Settlement reserves               |                                |                                |
| Lending funds                     |                                |                                |
| Held-for-trading financial assets |                                |                                |

|  |                          |                          |
|--|--------------------------|--------------------------|
| Derivative financial assets              |                          |                          |
| Notes receivables                        |                          |                          |
| Accounts receivables                     | 1,507,852.43             | 18,293,914.23            |
| Accounts receivables financing           | 3,209,371,766.35         | 2,393,797,259.80         |
| Prepayment                               | 74,685,537.38            | 151,818,448.48           |
| Premiums receivable                      |                          |                          |
| Reinsurance accounts receivable          |                          |                          |
| Reinsurance contract reserve             |                          |                          |
| Other receivables                        | 127,032,931.42           | 159,753,421.64           |
| Including: Interests receivable          |                          | 45,636,744.44            |
| Dividends receivable                     | 1,407,900.00             |                          |
| Buying back the sale of financial assets |                          |                          |
| Inventories                              | 4,695,663,431.25         | 3,641,235,092.33         |
| Contract assets                          |                          |                          |
| Assets held for sale                     |                          |                          |
| Non-current assets due within one year   |                          |                          |
| Other current assets                     | 156,565,424.18           | 195,174,048.57           |
| <b>Total current assets</b>              | <b>19,889,697,283.61</b> | <b>16,313,738,711.83</b> |
| <b>Non-current assets:</b>               |                          |                          |
| Disbursement of loans and advances       |                          |                          |
| Investments in debt obligations          |                          |                          |
| Investments in other debt obligations    |                          |                          |
| Long-term receivables                    |                          |                          |
| Long-term equity investments             | 2,477,667,171.27         | 2,230,721,725.72         |
| Investments in other equity instruments  | 347,160,399.42           | 352,395,255.78           |
| Other non-current financial assets       |                          |                          |
| Investment property                      |                          |                          |
| Fixed assets                             | 6,887,108,174.72         | 1,518,865,397.91         |
| Construction in progress                 | 2,012,129,880.15         | 7,257,393,087.56         |
| Productive biological assets             |                          |                          |
| Oil and gas assets                       |                          |                          |

|  |                          |                          |
|--|--------------------------|--------------------------|
| Use right assets                           |                          |                          |
| Intangible assets                          | 2,657,118,025.37         | 332,234,032.47           |
| Development expenses                       |                          |                          |
| Goodwill                                   |                          |                          |
| Long-term deferred expenses                | 2,305,902.21             | 928,805.23               |
| Deferred tax assets                        | 725,210,660.84           | 676,152,614.07           |
| Other non-current assets                   | 10,806,325.86            | 237,539,447.75           |
| <b>Total non-current assets</b>            | <b>15,119,506,539.84</b> | <b>12,606,230,366.49</b> |
| <b>Total assets</b>                        | <b>35,009,203,823.45</b> | <b>28,919,969,078.32</b> |
| <b>Current liabilities:</b>                |                          |                          |
| Short-term loans                           |                          |                          |
| Borrowings from the central bank           |                          |                          |
| Loans from other banks                     |                          |                          |
| Held-for-trading financial liabilities     |                          |                          |
| Derivative financial liabilities           |                          |                          |
| Notes payable                              | 121,285,117.60           |                          |
| Accounts payable                           | 2,604,289,199.77         | 1,868,623,958.02         |
| Advance from customer                      |                          | 2,244,442,643.64         |
| Contract liabilities                       | 1,678,837,166.94         |                          |
| Financial assets sold for repurchase       |                          |                          |
| Deposits from customers and inter-bank     |                          |                          |
| Customer brokerage deposits                |                          |                          |
| Securities underwriting brokerage deposits |                          |                          |
| Employee benefits payable                  | 505,022,627.19           | 342,025,687.49           |
| Taxes payable                              | 2,046,027,211.13         | 1,633,044,231.67         |
| Other payable                              | 501,623,924.54           | 698,942,399.37           |
| Including: Interests payable               |                          | 30,650,684.93            |
| Dividends payable                          |                          |                          |
| Handling charges and commissions payable   |                          |                          |
| Reinsurance accounts payable               |                          |                          |
| Liabilities held for sale                  |                          |                          |
| Non-current liabilities due within one     | 72,219,178.08            |                          |

|   |                          |                          |
|---|--------------------------|--------------------------|
| year  |                          |                          |
| Other current liabilities                                 | 218,267,353.36           |                          |
| <b>Total current liabilities</b>                          | <b>7,747,571,778.61</b>  | <b>6,787,078,920.19</b>  |
| <b>Non-current liabilities:</b>                           |                          |                          |
| Insurance contract reserves                               |                          |                          |
| Long-term loans   |                          |                          |
| Bonds payable   | 3,987,872,100.02         | 2,490,883,676.39         |
| Including: Preferred shares                               |                          |                          |
| Perpetual bonds   |                          |                          |
| Lease liabilities   |                          |                          |
| Long-term payables  |                          |                          |
| Long-term payroll payables                                |                          |                          |
| Accrued liabilities                                       |                          |                          |
| Deferred income   | 29,739,000.00            | 23,845,000.00            |
| Deferred tax liabilities                                  | 62,151,071.11            | 63,430,453.64            |
| Other non-current liabilities                             |                          |                          |
| <b>Total non-current liabilities</b>                      | <b>4,079,762,171.13</b>  | <b>2,578,159,130.03</b>  |
| <b>Total liabilities</b>                                  | <b>11,827,333,949.74</b> | <b>9,365,238,050.22</b>  |
| <b>Owners' equity</b>                                     |                          |                          |
| Share capital   | 1,464,752,476.00         | 1,464,752,476.00         |
| Other equity instruments                                  |                          |                          |
| Including: preferred shares                               |                          |                          |
| Perpetual bonds   |                          |                          |
| Capital reserves  | 3,722,777,063.13         | 3,722,777,063.13         |
| Less: treasury stock                                      |                          |                          |
| Other comprehensive income                                | 186,063,325.03           | 194,817,130.57           |
| Special reserves  |                          |                          |
| Surplus reserves  | 1,464,752,476.00         | 1,464,752,476.00         |
| General risk reserve                                      |                          |                          |
| Undistributed profits                                     | 16,236,513,212.43        | 12,559,746,579.91        |
| Total equity attributable to owners of the parent company | 23,074,858,552.59        | 19,406,845,725.61        |
| Non-controlling interests                                 | 107,011,321.12           | 147,885,302.49           |
| <b>Total owners' equity</b>                               | <b>23,181,869,873.71</b> | <b>19,554,731,028.10</b> |
| <b>Total liabilities and owners' equity</b>               | <b>35,009,203,823.45</b> | <b>28,919,969,078.32</b> |



Legal representative: Liu Miao

Person in charge of accounting affairs: Xie Hong

Person in charge of accounting department: Yan Li

**Balance sheet of parent company**  
**As at 31 December 2020**

Monetary Unit: CNY

| Item                                    | Balance as at 31 December 2020 | Balance as at 31 December 2019 |
|---|--------------------------------|--------------------------------|
| <b>Current assets:</b>                  |                                |                                |
| Cash and cash equivalents               | 11,100,327,211.33              | 8,872,692,385.79               |
| Held-for-trading financial assets       |                                |                                |
| Derivative financial assets             |                                |                                |
| Notes receivables                       |                                |                                |
| Accounts receivables                    | 3,927.50                       | 21,562.85                      |
| Accounts receivables financing          |                                |                                |
| Prepayment                              | 1,431,698.57                   | 11,682,593.27                  |
| Other receivables                       | 7,052,749,694.83               | 5,850,481,480.50               |
| Including: Interests receivable         |                                | 40,570,144.44                  |
| Dividends receivable                    | 1,407,900.00                   |                                |
| Inventories                             | 850,076.30                     | 1,049,384.24                   |
| Contract assets                         |                                |                                |
| Assets held for sale                    |                                |                                |
| Non-current assets due within one year  |                                |                                |
| Other current assets                    | 78,509.44                      | 5,562,360.72                   |
| <b>Total current assets</b>             | <b>18,155,441,117.97</b>       | <b>14,741,489,767.37</b>       |
| <b>Non-current assets:</b>              |                                |                                |
| Investments in debt obligations         |                                |                                |
| Investments in other debt obligations   |                                |                                |
| Long-term receivables                   |                                |                                |
| Long-term equity investments            | 5,884,091,712.47               | 5,636,681,853.83               |
| Investments in other equity instruments | 346,831,477.79                 | 352,066,334.15                 |
| Other non-current financial assets      |                                |                                |
| Investment property                     |                                |                                |
| Fixed assets                            | 640,254,574.76                 | 601,481,983.81                 |

|   |                          |                          |
|---|--------------------------|--------------------------|
| Construction in progress                    | 550,932,404.00           | 967,953,263.55           |
| Productive biological assets                |                          |                          |
| Oil and gas assets                          |                          |                          |
| Use right assets                            |                          |                          |
| Intangible assets                           | 684,010,106.13           | 297,830,285.02           |
| Development expenses                        |                          |                          |
| Goodwill                                    |                          |                          |
| Long-term deferred expenses                 | 2,180,811.89             | 777,834.15               |
| Deferred tax assets                         | 89,484,552.65            | 75,249,717.72            |
| Other non-current assets                    | 1,526,325.86             |                          |
| <b>Total non-current assets</b>             | <b>8,199,311,965.55</b>  | <b>7,932,041,272.23</b>  |
| <b>Total assets</b>                         | <b>26,354,753,083.52</b> | <b>22,673,531,039.60</b> |
| <b>Current liabilities:</b>                 |                          |                          |
| Short-term loans                            |                          |                          |
| Held-for-trading financial liabilities      |                          |                          |
| Derivative financial liabilities            |                          |                          |
| Notes payable                               |                          |                          |
| Accounts payable                            | 80,663,835.54            | 87,652,671.29            |
| Advance from customer                       |                          | 9,712,630.35             |
| Contract liabilities                        | 753,349.81               |                          |
| Employee benefits payable                   | 168,254,646.38           | 116,124,722.19           |
| Taxes payable                               | 153,437,992.21           | 82,399,599.18            |
| Other payables                              | 699,733,563.56           | 1,099,598,588.83         |
| Including: Interests payable                |                          | 30,650,684.93            |
| Dividends payable                           |                          |                          |
| Liabilities held for sale                   |                          |                          |
| Non-current liabilities due within one year | 72,219,178.08            |                          |
| Other current liabilities                   | 116,457.13               |                          |
| <b>Total current liabilities</b>            | <b>1,175,179,022.71</b>  | <b>1,395,488,211.84</b>  |
| <b>Non-current liabilities:</b>             |                          |                          |
| Long-term loans                             |                          |                          |
| Bonds payable                               | 3,987,872,100.02         | 2,490,883,676.39         |
| Including: Preferred shares                 |                          |                          |

|   |                          |                          |
|---|--------------------------|--------------------------|
| Perpetual bonds                             |                          |                          |
| Lease liabilities                           |                          |                          |
| Long-term payables                          |                          |                          |
| Long-term payroll payables                  |                          |                          |
| Accrued liabilities                         |                          |                          |
| Deferred income                             | 1,904,000.00             | 2,380,000.00             |
| Deferred tax liabilities                    | 62,151,071.11            | 63,430,453.64            |
| Other non-current liabilities               |                          |                          |
| <b>Total non-current liabilities</b>        | <b>4,051,927,171.13</b>  | <b>2,556,694,130.03</b>  |
| <b>Total liabilities</b>                    | <b>5,227,106,193.84</b>  | <b>3,952,182,341.87</b>  |
| <b>Owners' equity</b>                       |                          |                          |
| Share capital                               | 1,464,752,476.00         | 1,464,752,476.00         |
| Other equity instruments                    |                          |                          |
| Including: preferred shares                 |                          |                          |
| Perpetual bonds                             |                          |                          |
| Capital reserves                            | 3,706,816,950.12         | 3,706,816,950.12         |
| Less: treasury stock                        |                          |                          |
| Other comprehensive income                  | 185,441,302.55           | 192,332,738.05           |
| Special reserves                            |                          |                          |
| Surplus reserves                            | 1,464,752,476.00         | 1,464,752,476.00         |
| Undistributed profits                       | 14,305,883,685.01        | 11,892,694,057.56        |
| <b>Total owners' equity</b>                 | <b>21,127,646,889.68</b> | <b>18,721,348,697.73</b> |
| <b>Total liabilities and owners' equity</b> | <b>26,354,753,083.52</b> | <b>22,673,531,039.60</b> |

### Consolidated income statement

Monetary Unit: CNY

| Item                              | Year 2020         | Year 2019         |
|-----------------------------------|-------------------|-------------------|
| <b>1. Total operating revenue</b> | 16,652,854,549.80 | 15,816,934,272.86 |
| Including: Operating revenue      | 16,652,854,549.80 | 15,816,934,272.86 |
| Interest income                   |                   |                   |
| Earned premium                    |                   |                   |
| Fee and commission income         |                   |                   |
| <b>2. Total operating costs</b>   | 8,935,579,731.67  | 9,922,882,478.20  |

|   |                  |                  |
|---|------------------|------------------|
| Including: Cost of sales  | 2,823,484,558.06 | 3,065,418,048.38 |
| Interest expense  |                  |                  |
| Handling charges and commission expenses  |                  |                  |
| Refunded premiums   |                  |                  |
| Net payments for insurance claims   |                  |                  |
| Net provision for insurance contracts   |                  |                  |
| Bond insurance expense  |                  |                  |
| Reinsurance Expenses  |                  |                  |
| Taxes and surcharges  | 2,223,571,956.83 | 1,975,858,645.23 |
| Selling and distribution expenses   | 3,090,655,832.25 | 4,186,102,153.59 |
| General and administrative expenses   | 844,454,467.47   | 828,945,024.92   |
| Research and Development expenses   | 85,858,119.80    | 71,643,099.77    |
| Financial expenses  | -132,445,202.74  | -205,084,493.69  |
| Including: Interest expenses  | 190,368,213.56   | 139,603,113.82   |
| Interest income   | 333,430,076.04   | 344,656,931.22   |
| Plus: Other income  | 32,045,453.48    | 43,969,302.07    |
| Investment income ("-" for losses)  | 201,498,918.28   | 154,711,995.41   |
| Including: income from investment in associates and joint ventures                            | 192,119,093.92   | 145,963,325.70   |
| Income from the derecognition of financial assets measured at amortized cost ("-" for losses) |                  |                  |
| Foreign exchange gains ("-" for losses)   |                  |                  |
| Net gain on exposure hedges ("-" for losses)  |                  |                  |
| Gains from the changes in fair values("-" for losses)   |                  |                  |

|   |                         |                         |
|---|-------------------------|-------------------------|
| Credit impairment losses ("-" for losses)   | 373,734.80              | -618,334.74             |
| Impairment losses("-" for losses)   |                         |                         |
| Gains from disposal of assets("-" for losses)   | 8,123,010.18            | 27,180,182.25           |
| <b>3. Operating profits ("-" for losses)</b>  | <b>7,959,315,934.87</b> | <b>6,119,294,939.65</b> |
| Plus: non-operating income  | 32,645,773.17           | 44,307,757.49           |
| Less: non-operating expenses  | 52,934,859.63           | 59,786,505.46           |
| <b>4. Total profits before tax ("-" for total losses)</b>   | <b>7,939,026,848.41</b> | <b>6,103,816,191.68</b> |
| Less: income tax expenses   | 1,980,512,205.93        | 1,461,580,689.27        |
| <b>5. Net profit ("-" for net loss)</b>   | <b>5,958,514,642.48</b> | <b>4,642,235,502.41</b> |
| 5.1 By operating continuity   |                         |                         |
| 5.1.1 Net profit from continuing operation ("-" for losses)   | 5,958,514,642.48        | 4,642,235,502.41        |
| 5.1.2 Net profit from discontinued operation ("-" for losses)   |                         |                         |
| 5.2 By ownership  |                         |                         |
| 1) Attributable to shareholders of the parent company   | 6,005,723,069.36        | 4,641,988,857.03        |
| 2) Attributable to non-controlling interests  | -47,208,426.88          | 246,645.38              |
| <b>6. Net of tax from other comprehensive income</b>  | <b>-10,282,236.19</b>   | <b>25,099,247.90</b>    |
| Net of tax from other comprehensive income to the owner of the parent company                             | -8,753,805.54           | 24,585,285.17           |
| 6.1 Other comprehensive income cannot reclassified into the profit and loss:                              | -3,926,142.29           | 19,018,838.37           |
| 1) Remeasure the variation of net indebtedness or net asset of defined benefit plans                      |                         |                         |
| 2) Share in other comprehensive income that cannot be classified into profit and loss under equity method |                         |                         |
| 3) Changes in fair value of   | -3,926,142.29           | 19,018,838.37           |

|   |                         |                         |
|---|-------------------------|-------------------------|
| investments in other equity instruments   |                         |                         |
| 4) Changes in fair value of the company's credit risks  |                         |                         |
| 5) Other  |                         |                         |
| 6.2 Other comprehensive income that will be reclassified into the profit and loss                       | -4,827,663.25           | 5,566,446.80            |
| 1) Share in other comprehensive income that will be classified into profit and loss under equity method | -2,965,293.21           | 4,938,830.88            |
| 2) Changes in fair value of investments in other debt obligations                                       |                         |                         |
| 3) Other comprehensive income arising from the reclassification of financial assets                     |                         |                         |
| 4) Allowance for credit impairments in investments in other debt obligations                            |                         |                         |
| 5) Reserve for cash-flow hedge  |                         |                         |
| 6) Balance arising from the translation of foreign currency financial statements                        | -1,862,370.04           | 627,615.92              |
| 7) Others   |                         |                         |
| Net of tax from other comprehensive income to non-controlling interests                                 | -1,528,430.65           | 513,962.73              |
| <b>7. Total comprehensive income</b>  | <b>5,948,232,406.29</b> | <b>4,667,334,750.31</b> |
| Total comprehensive income attributable to owners of the parent company                                 | 5,996,969,263.82        | 4,666,574,142.20        |
| Total comprehensive income attributable to non-controlling interests                                    | -48,736,857.53          | 760,608.11              |
| <b>8. Earnings per share</b>  |                         |                         |
| (1) Basic earnings per share  | 4.10                    | 3.17                    |
| (2) Diluted earnings per share  | 4.10                    | 3.17                    |

Legal representative: Liu Miao

Person in charge of accounting affairs: Xie Hong

Person in charge of accounting department: Yan Li

## Income statement of parent company

Monetary Unit: CNY

| Item   | Year 2020        | Year 2019        |
|--|------------------|------------------|
| <b>1. Operating revenue</b>  | 5,498,845,453.48 | 4,886,810,422.27 |
| Less: Cost of sales  | 4,185,130,000.53 | 3,494,194,921.16 |
| Taxes and surcharges   | 39,668,792.03    | 35,721,430.12    |
| Selling and distribution expenses  |                  |                  |
| General and administrative expenses  | 639,110,100.69   | 667,996,227.68   |
| Research and Development expenses  | 31,103,513.75    | 29,631,770.27    |
| Financial expenses   | -212,027,662.64  | -234,014,687.01  |
| Including: Interest expenses   | 108,660,100.27   | 40,008,978.03    |
| Interest income  | 321,948,107.20   | 275,281,390.78   |
| Plus: Other income   | 23,441,901.80    | 21,882,835.13    |
| Investment income ("-" for losses)   | 4,129,509,837.47 | 4,196,863,510.68 |
| Including: income from investment in associates and joint ventures                   | 191,110,318.79   | 145,963,325.70   |
| Income from the derecognition of financial assets at amortized cost ("-" for losses) |                  |                  |
| Net gain on exposure hedges ("-" for losses)   |                  |                  |
| Gains from the changes in fair values("-" for losses)                                |                  |                  |
| Credit impairment losses ("-" for losses)  | 1,373,316.74     | -58,058.02       |
| Asset impairment losses ("-" for losses)   |                  |                  |
| Gains from disposal of assets("-" for losses)  | 8,127,635.68     | 27,050,240.74    |
| <b>2. Operating profits ("-" for losses)</b>   | 4,978,313,400.81 | 5,139,019,288.58 |
| Plus: non-operating income   | 13,505,161.25    | 24,397,783.88    |

|   |                         |                         |
|---|-------------------------|-------------------------|
| Less: non-operating expenses  | 33,646,104.00           | 56,307,795.01           |
| <b>3. Total profits before tax ("-" for total losses)</b>   | <b>4,958,172,458.06</b> | <b>5,107,109,277.45</b> |
| Less: income tax expenses   | 216,026,393.77          | 235,868,705.50          |
| <b>4. Net profit ("-" for net loss)</b>   | <b>4,742,146,064.29</b> | <b>4,871,240,571.95</b> |
| 4.1 Net profit from continuing operation ("-" for losses)   | 4,742,146,064.29        | 4,871,240,571.95        |
| 4.2 Net profit from discontinued operation ("-" for losses)   |                         |                         |
| <b>5. Net of tax from other comprehensive income</b>  | <b>-6,891,435.50</b>    | <b>23,957,669.25</b>    |
| 5.1 Other comprehensive income cannot reclassified into the profit and loss:                              | -3,926,142.29           | 19,018,838.37           |
| 1) Remeasure the variation of net indebtedness or net asset of defined benefit plans                      |                         |                         |
| 2) Share in other comprehensive income that cannot be classified into profit and loss under equity method |                         |                         |
| 3) Changes in fair value of investments in other equity instruments                                       | -3,926,142.29           | 19,018,838.37           |
| 4) Changes in fair value of the company's credit risks  |                         |                         |
| 5) Other  |                         |                         |
| 5.2 Other comprehensive income that will be reclassified into the profit and loss                         | -2,965,293.21           | 4,938,830.88            |
| 1) Share in other comprehensive income that will be classified into profit and loss under equity method   | -2,965,293.21           | 4,938,830.88            |
| 2) Changes in fair value of investments in other debt obligations   |                         |                         |
| 3) Other comprehensive income arising from the reclassification of financial assets                       |                         |                         |
| 4) Allowance for credit impairments in investments in other debt  |                         |                         |



|  |                  |                  |
|--|------------------|------------------|
| obligations  |                  |                  |
| 5) Reserve for cash-flow hedge   |                  |                  |
| 6) Balance arising from the translation of foreign currency financial statements |                  |                  |
| 7) Others  |                  |                  |
| <b>6. Total comprehensive income</b>   | 4,735,254,628.79 | 4,895,198,241.20 |
| <b>7. Earnings per share</b>   |                  |                  |
| (1) Basic earnings per share   |                  |                  |
| (2) Diluted earnings per share   |                  |                  |

### Consolidated statement of cash flows

Monetary Unit: CNY

| Item   | Year 2020         | Year 2019         |
|--|-------------------|-------------------|
| <b>1. Cash flows from operating activities</b>   |                   |                   |
| Cash received from sale of goods and rendering of services                                       | 17,181,826,402.36 | 18,483,174,163.09 |
| Net increase in customer bank deposits and placement from banks and other financial institutions |                   |                   |
| Net increase in loans from central bank  |                   |                   |
| Net increase in loans from other financial institutions  |                   |                   |
| Premiums received from original insurance contracts  |                   |                   |
| Net cash received from reinsurance business  |                   |                   |
| Net increase in deposits and investments from policyholders                                      |                   |                   |
| Cash received from interest, handling charges and commissions                                    |                   |                   |
| Net increase in placements from other financial institutions                                     |                   |                   |
| Net capital increase in repurchase business  |                   |                   |

|   |                          |                          |
|---|--------------------------|--------------------------|
| Net cash received from customer brokerage deposits  |                          |                          |
| Refunds of taxes and surcharges   | 4,409,523.82             | 5,043,369.84             |
| Cash received from other operating activities   | 536,706,593.88           | 628,136,779.70           |
| <b>Subtotal of cash inflows from operating activities</b>                                     | <b>17,722,942,520.06</b> | <b>19,116,354,312.63</b> |
| Cash paid for goods purchased and services received   | 3,935,832,838.54         | 5,306,328,780.97         |
| Net increase in loans and advances to customers   |                          |                          |
| Net increase in deposits in central bank and other banks and financial institutions           |                          |                          |
| Cash paid for original insurance contract claims  |                          |                          |
| Net increase in lending funds   |                          |                          |
| Cash paid for interests, handling charges and commissions                                     |                          |                          |
| Cash paid for policy dividends  |                          |                          |
| Cash paid to and on behalf of employees   | 798,605,373.41           | 765,303,405.29           |
| Cash paid for taxes and surcharges  | 5,241,424,782.99         | 4,932,650,062.18         |
| Cash paid for other operating activities  | 2,830,977,073.82         | 3,270,452,860.33         |
| <b>Subtotal of cash outflows from operating activities</b>                                    | <b>12,806,840,068.76</b> | <b>14,274,735,108.77</b> |
| <b>Net cash flows from operating activities</b>   | <b>4,916,102,451.30</b>  | <b>4,841,619,203.86</b>  |
| <b>2. Cash flows from investing activities</b>  |                          |                          |
| Cash received from disposal of investments  |                          |                          |
| Cash received from returns on investments   | 28,707,091.30            | 29,483,836.65            |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 20,743,376.36            | 33,045,256.91            |

|   |                   |                   |
|---|-------------------|-------------------|
| Net cash received from disposal of subsidiaries and other business units                      |                   |                   |
| Cash received from other investing activities   |                   |                   |
| <b>Subtotal of cash inflows from investing activities</b>                                     | 49,450,467.66     | 62,529,093.56     |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 2,143,910,509.48  | 4,605,226,214.50  |
| Cash paid for investments   | 80,000,000.00     | 8,000,000.00      |
| Net increase in pledge loans  |                   |                   |
| Net cash paid to acquire subsidiaries and other business units                                |                   |                   |
| Cash paid for other investing activities  |                   |                   |
| <b>Subtotal of cash outflows from investing activities</b>                                    | 2,223,910,509.48  | 4,613,226,214.50  |
| <b>Net cash flows from investing activities</b>   | -2,174,460,041.82 | -4,550,697,120.94 |
| <b>3. Cash flows from financing activities</b>  |                   |                   |
| Cash received from investors  | 9,947,876.16      | 3,834,692.00      |
| Including: cash received by subsidiaries from investments by minority shareholders            | 9,947,876.16      | 3,834,692.00      |
| Cash received from borrowings   | 1,494,000,000.00  | 2,490,000,000.00  |
| Cash received from other financing activities   |                   |                   |
| <b>Subtotal of cash inflows from financing activities</b>                                     | 1,503,947,876.16  | 2,493,834,692.00  |
| Cash paid for debt repayments   |                   |                   |
| Cash paid for distribution of dividends and profits or payment of interest                    | 2,420,541,436.84  | 2,390,250,207.80  |
| Including: dividends and profits paid to minority shareholders by subsidiaries                | 2,085,000.00      |                   |

|   |                          |                         |
|---|--------------------------|-------------------------|
| Cash paid for other financing activities                                      | 180,000.00               | 10,149,100.00           |
| <b>Subtotal of cash outflows from financing activities</b>                    | <b>2,420,721,436.84</b>  | <b>2,400,399,307.80</b> |
| <b>Net cash flows from financing activities</b>                               | <b>-916,773,560.68</b>   | <b>93,435,384.20</b>    |
| <b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b> | <b>-8,940,312.77</b>     | <b>1,922,431.98</b>     |
| <b>5. Net increase in cash and cash equivalents</b>                           | <b>1,815,928,536.03</b>  | <b>386,279,899.10</b>   |
| Plus: balance of cash and cash equivalents at the beginning of the period     | 9,752,266,526.78         | 9,365,986,627.68        |
| <b>6. Balance of cash and cash equivalents at the end of the period</b>       | <b>11,568,195,062.81</b> | <b>9,752,266,526.78</b> |

### Cash flow statements of parent company

Monetary Unit: CNY

| Item   | Year 2020               | Year 2019               |
|--|-------------------------|-------------------------|
| <b>1. Cash flows from operating activities</b>             |                         |                         |
| Cash received from sale of goods and rendering of services | 6,027,493,323.47        | 5,524,665,200.15        |
| Refunds of taxes and surcharges                            |                         |                         |
| Cash received from other operating activities              | 383,743,781.07          | 336,073,969.61          |
| <b>Subtotal of cash inflows from operating activities</b>  | <b>6,411,237,104.54</b> | <b>5,860,739,169.76</b> |
| Cash paid for goods purchased and services received        | 4,712,837,125.15        | 4,128,632,128.61        |
| Cash paid to and on behalf of employees                    | 292,139,082.61          | 277,720,935.68          |
| Cash paid for taxes and surcharges                         | 321,193,312.05          | 458,233,955.78          |
| Cash paid for other operating activities                   | 245,064,341.42          | 209,925,720.97          |
| <b>Subtotal of cash outflows from</b>                      | <b>5,571,233,861.23</b> | <b>5,074,512,741.04</b> |

|   |                  |                  |
|---|------------------|------------------|
| <b>operating activities</b>   |                  |                  |
| <b>Net cash flows from operating activities</b>   | 840,003,243.31   | 786,226,428.72   |
| <b>2. Cash flows from investing activities</b>  |                  |                  |
| Cash received from disposal of investments  |                  |                  |
| Cash received from returns on investments   | 3,957,726,785.62 | 4,071,635,351.92 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 20,105,415.90    | 32,304,306.23    |
| Net cash received from disposal of subsidiaries and other business units                      |                  |                  |
| Cash received from other investing activities   |                  |                  |
| <b>Subtotal of cash inflows from investing activities</b>                                     | 3,977,832,201.52 | 4,103,939,658.15 |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 223,191,670.76   | 497,241,658.62   |
| Cash paid for investments   | 80,000,000.00    | 10,149,100.00    |
| Net cash paid to acquire subsidiaries and other business units                                |                  |                  |
| Cash paid for other investing activities  |                  |                  |
| <b>Subtotal of cash outflows from investing activities</b>                                    | 303,191,670.76   | 507,390,758.62   |
| <b>Net cash flows from investing activities</b>   | 3,674,640,530.76 | 3,596,548,899.53 |
| <b>3. Cash flows from financing activities</b>  |                  |                  |
| Cash received from investors  |                  |                  |
| Cash received from loans  | 1,494,000,000.00 | 2,490,000,000.00 |
| Cash received from other financing activities   |                  |                  |
| <b>Subtotal of cash inflows from</b>  | 1,494,000,000.00 | 2,490,000,000.00 |

|   |                          |                          |
|---|--------------------------|--------------------------|
| <b>financing activities</b>   |                          |                          |
| Cash paid for debt repayments   |                          |                          |
| Cash paid for distribution of dividends and profits or payment of interest    | 2,343,157,574.72         | 2,278,840,954.51         |
| Cash paid for other financing activities                                      | 1,493,126,651.60         | 1,910,715,145.78         |
| <b>Subtotal of cash outflows from financing activities</b>                    | <b>3,836,284,226.32</b>  | <b>4,189,556,100.29</b>  |
| <b>Net cash flows from financing activities</b>                               | <b>-2,342,284,226.32</b> | <b>-1,699,556,100.29</b> |
| <b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b> |                          |                          |
| <b>5. Net increase in cash and cash equivalents</b>                           | <b>2,172,359,547.75</b>  | <b>2,683,219,227.96</b>  |
| Plus: balance of cash and cash equivalents at the beginning of the period     | 8,872,692,385.79         | 6,189,473,157.83         |
| <b>6. Balance of cash and cash equivalents at the end of the period</b>       | <b>11,045,051,933.54</b> | <b>8,872,692,385.79</b>  |

### Consolidated statement of changes in owners' equity

For the year ended 31 December 2020

Monetary Unit: CNY

| Item  | Year 2020   |                          |       |  |                  |                      |                            |                 |                  |                      |                      |       |                           |                      |                   |
|---|---|--------------------------|-------|--|------------------|----------------------|----------------------------|-----------------|------------------|----------------------|----------------------|-------|---------------------------|----------------------|-------------------|
|   | Equity attributable to owners of the parent company |                          |       |  |                  |                      |                            |                 |                  |                      |                      |       | Non-controlling interests | Total owners' equity |                   |
|   | Share capital                                       | Other equity instruments |       |  | Capital reserve  | Less: Treasury stock | Other Comprehensive Income | Special reserve | Surplus reserve  | General risk reserve | Undistributed profit | Other |                           |                      | Subtotal          |
|   | Preferred stock                                     | Perpetual bond           | Other |  |                  |                      |                            |                 |                  |                      |                      |       |                           |                      |                   |
| 1. Balance as at 31 December of last year   | 1,464,752.476.00                                    |                          |       |  | 3,722,777.063.13 |                      | 194,817,130.57             |                 | 1,464,752,476.00 |                      | 12,559,746.579.91    |       | 19,406,845.725.61         | 147,885,302.49       | 19,554,731.028.10 |
| Plus: adjustments for changes in accounting |   |                          |       |  |                  |                      |                            |                 |                  |                      |                      |       |                           |                      |                   |

|   |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
|---|------------------|--|--|--|------------------|--|----------------|--|------------------|--|-------------------|--|-------------------|--|----------------|--|-------------------|--|
| policies  |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| Adjustments for correction of accounting errors in prior year           |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| Business combinations under common control                              |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| Others  |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| <b>2. Balance as at 1 January of the current year</b>                   | 1,464,752.476.00 |  |  |  | 3,722,777,063.13 |  | 194,817,130.57 |  | 1,464,752,476.00 |  | 12,559,746.579.91 |  | 19,406,845.725.61 |  | 147,885,302.49 |  | 19,554,731.028.10 |  |
| <b>3. Increases/decreases in the current period (“-” for decreases)</b> |                  |  |  |  |                  |  | -8,753,805.54  |  |                  |  | 3,676,766,632.52  |  | 3,668,012,826.98  |  | -40,873,981.37 |  | 3,627,138,845.61  |  |
| (1) Total comprehensive income  |                  |  |  |  |                  |  | -8,753,805.54  |  |                  |  | 6,005,723,069.36  |  | 5,996,969,263.82  |  | -48,736,857.53 |  | 5,948,232,406.29  |  |
| (2) Capital contributed or reduced by owners                            |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  | 9,947,876.16   |  | 9,947,876.16      |  |
| Capital contributions by owners   |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  | 9,947,876.16   |  | 9,947,876.16      |  |
| Capital contributions by other equity instruments holders               |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| Amounts of share-based payments recognized in owners' equity            |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| Others  |                  |  |  |  |                  |  |                |  |                  |  |                   |  |                   |  |                |  |                   |  |
| (3) Profit distribution   |                  |  |  |  |                  |  |                |  |                  |  | -2,328,956.43     |  | -2,328,956.43     |  | -2,085,000.00  |  | -2,331,041.43     |  |

|  |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
|--|--|--|--|--|--|--|--|--|--|--|---------------|--|---------------|---------------|---------------|
|  |  |  |  |  |  |  |  |  |  |  | 6.84          |  | 6.84          |               | 6.84          |
| Withdrawal of surplus reserves   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Withdrawal of general risk reserve                                       |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Profit distributed to owners (or shareholders)                           |  |  |  |  |  |  |  |  |  |  | -2,328,956.43 |  | -2,328,956.43 | -2,085,000.00 | -2,331,041.43 |
|  |  |  |  |  |  |  |  |  |  |  | 6.84          |  | 6.84          |               | 6.84          |
| Others   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| (4) Internal carry-forward of owners' equity                             |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Conversion of capital reserves into paid-in capital                      |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Conversion of surplus reserves into paid-in capital                      |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Surplus reserves offsetting losses                                       |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Carry-forward of retained earnings from changes in defined benefit plans |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Carry-forward of retained earnings from other comprehensive income       |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Others   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| (5) Special reserves   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Withdrawal for the period  |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| Use for the period   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |
| (6) Others   |  |  |  |  |  |  |  |  |  |  |               |  |               |               |               |



|                         |        |  |  |  |         |  |         |  |         |  |         |  |         |         |         |
|-------------------------|--------|--|--|--|---------|--|---------|--|---------|--|---------|--|---------|---------|---------|
| <b>4. Balance as at</b> | 1,464, |  |  |  | 3,722,7 |  | 186,06  |  | 1,464,7 |  | 16,236, |  | 23,074, | 107,01  | 23,181, |
| <b>31 December of</b>   | 752,4  |  |  |  | 77,063. |  | 3,325.0 |  | 52,476. |  | 513,21  |  | 858,55  | 1,321.1 | 869,87  |
| <b>the current year</b> | 76.00  |  |  |  | 13      |  | 3       |  | 00      |  | 2.43    |  | 2.59    | 2       | 3.71    |

## For the year ended 31 December 2019

Monetary Unit: CNY

| Item   | Year 2019   |                             |                       |       |                        |                                |  |                            |                            |                                 |                             |       |  |                            |              |
|--|---|-----------------------------|-----------------------|-------|------------------------|--------------------------------|--|----------------------------|----------------------------|---------------------------------|-----------------------------|-------|--|----------------------------|--------------|
|  | Equity attributable to owners of the parent company |                             |                       |       |                        |                                |  |                            |                            |                                 |                             |       | Non-co<br>ntrollin<br>g<br>interest<br>s | Total<br>owners'<br>equity |              |
|  | Share<br>capita<br>l                                | Other equity<br>instruments |                       |       | Capital<br>reserv<br>e | Less:<br>Treasu<br>ry<br>stock | Other<br>Compr<br>ehensi<br>ve<br>Incom<br>e | Specia<br>l<br>reserv<br>e | Surplu<br>s<br>reserv<br>e | Genera<br>l risk<br>reserv<br>e | Undistr<br>ibuted<br>profit | Other |  |                            | Subtot<br>al |
|  |   | Prefe<br>rred<br>stock      | Perp<br>etual<br>bond | Other |                        |                                |  |                            |                            |                                 |                             |       |  |                            |              |
| <b>1. Balance as at</b>  | 1,464,  |                             |                       |       | 3,716,6                |                                | 136,59                                       |                            | 1,464,7                    |                                 | 10,181,                     |       | 16,964,                                  | 159,541,                   | 17,124,2     |
| <b>31 December of</b>  | 752,4   |                             |                       |       | 75,022.                |                                | 2,276.6                                      |                            | 52,476.                    |                                 | 899,22                      |       | 671,47                                   | 143.03                     | 12,618.9     |
| <b>last year</b>   | 76.00   |                             |                       |       | 48                     |                                | 4  |                            | 00                         |                                 | 4.84                        |       | 5.96                                     |                            | 9            |
| Plus:<br>adjustments for<br>changes in<br>accounting<br>policies                         |   |                             |                       |       |                        |                                | 33,639,                                      |                            |                            |                                 | 6,224,8                     |       | 39,864,                                  |                            | 39,864,4     |
|  |   |                             |                       |       |                        |                                | 568.76                                       |                            |                            |                                 | 35.84                       |       | 404.60                                   |                            | 04.60        |
| Adjustments for<br>correction of<br>accounting errors<br>in prior year                   |   |                             |                       |       |                        |                                |  |                            |                            |                                 |                             |       |  |                            |              |
| Business<br>combinations<br>under common<br>control                                      |   |                             |                       |       |                        |                                |  |                            |                            |                                 |                             |       |  |                            |              |
| Others   |   |                             |                       |       |                        |                                |  |                            |                            |                                 |                             |       |  |                            |              |
| <b>2. Balance as at</b>  | 1,464,  |                             |                       |       | 3,716,6                |                                | 170,23                                       |                            | 1,464,7                    |                                 | 10,188,                     |       | 17,004,                                  | 159,541,                   | 17,164,0     |
| <b>1 January of the</b>  | 752,4   |                             |                       |       | 75,022.                |                                | 1,845.4                                      |                            | 52,476.                    |                                 | 124,06                      |       | 535,88                                   | 143.03                     | 77,023.5     |
| <b>current year</b>  | 76.00   |                             |                       |       | 48                     |                                | 0  |                            | 00                         |                                 | 0.68                        |       | 0.56                                     |                            | 9            |
| <b>3. Increases/dec<br/>reases in the<br/>current period<br/>("–" for<br/>decreases)</b> |   |                             |                       |       | 6,102,0                |                                | 24,585,                                      |                            |                            |                                 | 2,371,6                     |       | 2,402,3                                  | -11,655,                   | 2,390,65     |
|  |   |                             |                       |       | 40.65                  |                                | 285.17                                       |                            |                            |                                 | 22,519.                     |       | 09,845.                                  | 840.54                     | 4,004.51     |
|  |   |                             |                       |       |                        |                                |  |                            |                            |                                 | 23                          |       | 05                                       |                            |              |
| (1) Total  |   |                             |                       |       |                        |                                | 24,585,                                      |                            |                            |                                 | 4,641,9                     |       | 4,666,5                                  | 760,608.                   | 4,667,33     |

|  |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
|--|--|--|--|--|--|--------|--|--|--|-------------------|--|-------------------|--------------|-------------------|
| comprehensive income   |  |  |  |  |  | 285.17 |  |  |  | 88,857.03         |  | 74,142.20         | 11           | 4,750.31          |
| (2) Capital contributed or reduced by owners                 |  |  |  |  |  |        |  |  |  |                   |  |                   | 1,334,692.00 | 1,334,692.00      |
| Capital contributions by owners                              |  |  |  |  |  |        |  |  |  |                   |  |                   | 1,334,692.00 | 1,334,692.00      |
| Capital contributions by other equity instruments holders    |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Amounts of share-based payments recognized in owners' equity |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Others   |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| (3) Profit distribution                                      |  |  |  |  |  |        |  |  |  | -2,270,366,337.80 |  | -2,270,366,337.80 |              | -2,270,366,337.80 |
| Withdrawal of surplus reserves                               |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Withdrawal of general risk reserve                           |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Profit distributed to owners (or shareholders)               |  |  |  |  |  |        |  |  |  | -2,270,366,337.80 |  | -2,270,366,337.80 |              | -2,270,366,337.80 |
| Others   |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| (4) Internal carry-forward of owners' equity                 |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Conversion of capital reserves into paid-in capital          |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |
| Conversion of  |  |  |  |  |  |        |  |  |  |                   |  |                   |              |                   |

|  |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
|--|------------------|--|--|--|------------------|----------------|------------------|-------------------|-------------------|--|----------------|--------------|----------------|--|--|-------------------|--|
| surplus reserves into paid-in capital                                    |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Surplus reserves offsetting losses                                       |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Carry-forward of retained earnings from changes in defined benefit plans |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Carry-forward of retained earnings from other comprehensive income       |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Others   |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| (5) Special reserves   |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Withdrawal for the period  |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| Use for the period   |                  |  |  |  |                  |                |                  |                   |                   |  |                |              |                |  |  |                   |  |
| (6) Others   |                  |  |  |  | 6,102,040.65     |                |                  |                   |                   |  |                | 6,102,040.65 | -13,751,140.65 |  |  | -7,649,100.00     |  |
| <b>4. Balance as at 31 December of the current year</b>                  | 1,464,752,476.00 |  |  |  | 3,722,777,063.13 | 194,817,130.57 | 1,464,752,476.00 | 12,559,746,579.91 | 19,406,845,725.61 |  | 147,885,302.49 |              |                |  |  | 19,554,731,028.10 |  |

### Statement of changes in owners' equity of parent company

For the year ended 31 December 2020

Monetary Unit: CNY

| Item                                   | Year 2020      |                          |                 |       |                  |                      |                            |                  |                 |                      |       | Total owners' equity |
|--|----------------|--------------------------|-----------------|-------|------------------|----------------------|----------------------------|------------------|-----------------|----------------------|-------|----------------------|
|  | Share capital  | Other equity instruments |                 |       | Capital reserve  | Less: Treasury stock | Other Comprehensive Income | Special reserve  | Surplus reserve | Undistributed profit | Other |                      |
|  |                | Preferr ed stock         | Perpet ual bond | Other |                  |                      |                            |                  |                 |                      |       |                      |
| <b>1. Balance as at 31 December of</b> | 1,464,752,476. |                          |                 |       | 3,706,816,950.12 |                      | 192,332,738.05             | 1,464,752,476.00 | 11,892,694,057  |                      |       | 18,721,348,697.73    |

|   |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
|---|------------------|--|--|--|------------------|--|----------------|--|------------------|-------------------|--|-------------------|
| last year   | 00               |  |  |  |                  |  |                |  |                  | .56               |  |                   |
| Plus: adjustments for changes in accounting policies                    |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Adjustments for correction of accounting errors in prior year           |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Others  |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| <b>2. Balance as at January 1 of the current year</b>                   | 1,464,752,476.00 |  |  |  | 3,706,816,950.12 |  | 192,332,738.05 |  | 1,464,752,476.00 | 11,892,694,057.56 |  | 18,721,348,697.73 |
| <b>3. Increases/decreases in the current period (“-” for decreases)</b> |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (1) Other comprehensive income  |                  |  |  |  |                  |  | -6,891,435.50  |  |                  | 2,413,189,627.45  |  | 2,406,298,191.95  |
| (2) Capital contributed or reduced by owners                            |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Capital contributions by owners   |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Capital contributions by other equity instruments holders               |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Amounts of share-based payments recognized in owners' equity            |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Others  |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (3) Profit distribution   |                  |  |  |  |                  |  |                |  |                  | -2,328,956,436.84 |  | -2,328,956,436.84 |

|  |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
|--|--------------|--|--|--|------------------|--|----------------|--|------------------|-------------------|--|-------------------|
|  |              |  |  |  |                  |  |                |  |                  | 84                |  |                   |
| Withdrawal of surplus reserves   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Profit distributed to owners (or shareholders)                           |              |  |  |  |                  |  |                |  |                  | -2,328,956.84     |  | -2,328,956.84     |
| Others   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (4) Internal carry-forward of owners' equity                             |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Conversion of capital reserves into paid-in capital                      |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Conversion of surplus reserves into paid-in capital                      |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Surplus reserves offsetting losses                                       |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Carry-forward of retained earnings from changes in defined benefit plans |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Carry-forward of retained earnings from other comprehensive income       |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Others   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (5) Special reserves   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Withdrawal for the period  |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Use for the period   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (6) Others   |              |  |  |  |                  |  |                |  |                  |                   |  |                   |
| <b>4. Balance as at 31 December of the current year</b>                  | 1,464,752.00 |  |  |  | 3,706,816,950.12 |  | 185,441,302.55 |  | 1,464,752,476.00 | 14,305,883,685.01 |  | 21,127,646,889.68 |

For the year ended 31 December 2019

Monetary Unit: CNY

| Item  | Year 2019        |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |
|---|------------------|--------------------------|----------------|-------|------------------|----------------------|----------------------------|-----------------|------------------|----------------------|-------|----------------------|
|   | Share capital    | Other equity instruments |                |       | Capital reserve  | Less: Treasury stock | Other Comprehensive Income | Special reserve | Surplus reserve  | Undistributed profit | Other | Total owners' equity |
|   |                  | Preferred stock          | Perpetual bond | Other |                  |                      |                            |                 |                  |                      |       |                      |
| <b>1. Balance as at 31 December of last year</b>                        | 1,464,752,476.00 |                          |                |       | 3,706,816,950.12 |                      | 134,386,305.26             |                 | 1,464,752,476.00 | 9,285,944,182.35     |       | 16,056,652,389.73    |
| Plus: adjustments for changes in accounting policies                    |                  |                          |                |       |                  |                      | 33,988,763.54              |                 |                  | 5,875,641.06         |       | 39,864,404.60        |
| Adjustments for correction of accounting errors in prior year           |                  |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |
| Others  |                  |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |
| <b>2. Balance as at January 1 of the current year</b>                   | 1,464,752,476.00 |                          |                |       | 3,706,816,950.12 |                      | 168,375,068.80             |                 | 1,464,752,476.00 | 9,291,819,823.41     |       | 16,096,516,794.33    |
| <b>3. Increases/decreases in the current period ("-" for decreases)</b> |                  |                          |                |       |                  |                      | 23,957,669.25              |                 |                  | 2,600,874,234.15     |       | 2,624,831,903.40     |
| (1) Other comprehensive income  |                  |                          |                |       |                  |                      | 23,957,669.25              |                 |                  | 4,871,240,571.95     |       | 4,895,198,241.20     |
| (2) Capital contributed or reduced by owners                            |                  |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |
| Capital contributions by owners   |                  |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |
| Capital contributions by  |                  |                          |                |       |                  |                      |                            |                 |                  |                      |       |                      |

|  |  |  |  |  |  |  |  |  |                   |  |  |                   |
|--|--|--|--|--|--|--|--|--|-------------------|--|--|-------------------|
| other equity instruments holders   |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Amounts of share-based payments recognized in owners' equity             |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Others   |  |  |  |  |  |  |  |  |                   |  |  |                   |
| (3) Profit distribution  |  |  |  |  |  |  |  |  | -2,270,366,337.80 |  |  | -2,270,366,337.80 |
| Withdrawal of surplus reserves   |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Profit distributed to owners (or shareholders)                           |  |  |  |  |  |  |  |  | -2,270,366,337.80 |  |  | -2,270,366,337.80 |
| Others   |  |  |  |  |  |  |  |  |                   |  |  |                   |
| (4) Internal carry-forward of owners' equity                             |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Conversion of capital reserves into paid-in capital                      |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Conversion of surplus reserves into paid-in capital                      |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Surplus reserves offsetting losses                                       |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Carry-forward of retained earnings from changes in defined benefit plans |  |  |  |  |  |  |  |  |                   |  |  |                   |
| Carry-forward of retained earnings from other comprehensive income       |  |  |  |  |  |  |  |  |                   |  |  |                   |

|   |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
|---|------------------|--|--|--|------------------|--|----------------|--|------------------|-------------------|--|-------------------|
| Others  |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (5) Special reserves                                    |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Withdrawal for the period                               |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| Use for the period                                      |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| (6) Others  |                  |  |  |  |                  |  |                |  |                  |                   |  |                   |
| <b>4. Balance as at 31 December of the current year</b> | 1,464,752,476.00 |  |  |  | 3,706,816,950.12 |  | 192,332,738.05 |  | 1,464,752,476.00 | 11,892,694,057.56 |  | 18,721,348,697.73 |

### 3. Company Profile

#### 3.1 Company Overview

Luzhou Laojiao Co., Ltd. (hereinafter referred to as "Company" or "the Company"), formerly known as Luzhou Laojiao Brewery, was established in March 1950. On 20 September 1993, Luzhou Laojiao brewery established a joint-stock limited company with fund-raising exclusively from its operational assets. On 25 October 1993, the public offering of shares was approved by Sichuan Provincial People's Government and CSRC with two documents of ChuanFuHan (1993) No.673 and FaShenZi (1993) No.108. After the offering, the total share capital was 86,880,000 shares, which were listed and traded in Shenzhen stock exchange on 9 May 1994.

As the end of 31 December 2004, the Company's total share capital reached 841,399,673 shares after multiple rights issues, among which the controlling shareholder, State Assets Management Bureau of Luzhou (later renamed as State-owned Assets Supervision and Administration Commission of Luzhou, hereinafter referred to as "SASAC of Luzhou") held 585,280,800 shares of the Company, with a shareholding ratio of 69.56%.

On 27 October 2005, the Company implemented the non-tradable share reform. After the implementation, the total share capital remained unchanged, and the shareholding ratio of SASAC of Luzhou decreased from 69.56% to 60.43%.

In November 2006, the Company implemented private placement, and the total share capital increased from 841,399,673 shares to 871,399,673 shares. The shareholding ratio of SASAC of Luzhou decreased from 60.43% to 58.35%.

As the end of 27 February 2007, SASAC of Luzhou sold 42,069,983 shares of the Company, and after the sale, it still held 466,375,156 shares of the Company, with its shareholding ratio reduced to 53.52%.



On 19 May 2008, the Company increased 522,839,803 shares of capital stock resulting from capital reserve and undistributed profits transferred to increase capital stock. After the implementation, the total share capital reached 1,394,239,476 shares, among which, SASAC of Luzhou held 746,200,250 shares of the Company, and the shareholding ratio was still 53.52%.

On 3 September 2009, the 300,000,000 shares and the 280,000,000 shares held by SASAC of Luzhou were [separately](#) transferred to Luzhou Laojiao Group Co., Ltd. (hereinafter referred to as the "Laojiao Group") and Luzhou XingLu Investment Group Co., Ltd. (hereinafter referred to as the "Xinglu Group"). After the transfer, Laojiao Group, Xinglu Group, and SASAC of Luzhou respectively held 300,000,000 shares, 280,000,000 shares and 166,200,250 shares. So far, Laojiao Group became the first majority shareholder and SASAC of Luzhou was the actual controller.

From 6 June 2012 to 20 November 2013, the first and second phases of the Company's equity incentive plan were exercised. After the exercise, the total share capital of the Company was changed to 1,402,252,476 shares.

On 10 April 2014 and 18 July 2016, SASAC of Luzhou transferred 81,088,300 shares and 84,000,000 shares to Laojiao Group and Xinglu Group respectively. In addition, Laojiao Group has increased its equity stake through the secondary market of 13,137,100 shares. So far, Laojiao Group, Xinglu Group and SASAC of Luzhou held 394,225,489 shares, 365,971,142 shares and 1,111,930 shares respectively, with the shareholding ratios of 28.11%, 26.10% and 0.08% respectively.

On 23 August 2017, the Company issued CNY 62,500,000 ordinary shares (A shares) privately, raising a total capital of CNY 3,000,000,000. After the additional issuance, the total capital stock of the Company was changed to 1,464,752,476 shares. In addition, from 2017 to 2018, Laojiao Group decreased 13,137,100 shares that were increased through the secondary market from April 2014 to December 2015. After share reduction, Laojiao Group, Xinglu Group and SASAC of Luzhou held 381,088,389 shares, 365,971,142 shares and 1,111,930 shares respectively, with the shareholding ratios of 26.02%, 24.99% and 0.08% respectively. Laojiao Group still was the first majority shareholder and SASAC of Luzhou still was the actual controller.

### **3.2 Registered address of the Company, company type, and headquarter address**

Registered address and headquarter address of the Company are located in Sichuan Luzhou Laojiao Square and company type is other incorporated company (Listed).

### **3.3 Business nature of the Company and main business activity**

Industry of the Company is the liquor subdivision industry of liquor and wine, beverage and refined tea manufacturing industry.

The main activity are research and development, production and sales of "National Cellar 1573", "Luzhou Laojiao" and other liquor series.

The main products are: "National Cellar 1573 Series", "Century-old Luzhou Laojiao Jiaoling Series", "Luzhou Laojiao Tequ", "Touqu", "Erqu" and other liquor series.

### **3.4 The name of the controlling shareholder and the ultimate substantive controller**

The controlling shareholder is Luzhou Laojiao Group Co., Ltd.; the ultimate substantive control is SASAC of Luzhou.

### 3.5 Approval and submission of the financial report and its date

The financial report is approved and submitted by the board of directors of the Company on 29 April 2021.

### 3.6 Consolidated financial statement scope and their changes

(1) The 28 subsidiaries included in the consolidated financial statements for the current period are listed as follows:

| Name of subsidiary  | Abbreviation                     | Shareholding proportion(%) |          | Voting rights (%) |
|---|----------------------------------|----------------------------|----------|-------------------|
|   |                                  | Direct                     | Indirect |                   |
| Luzhou Laojiao Brewing Co., Ltd.                                | Brewing company                  | 100.00                     |          | 100.00            |
| Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.    | Red sorghum company              |                            | 60.00    | 60.00             |
| Sales Company of Luzhou Laojiao Co., Ltd.                       | Sales company                    | 100.00                     |          | 100.00            |
| Luzhou Laojiao Nostalgic Liquor Marketing Co., Ltd.             | Nostalgic company                |                            | 100.00   | 100.00            |
| Luzhou Laojiao Custom Liquor Co., Ltd. <b>Note 1</b>            | Custom liquor company            |                            | 15.00    | 60.00             |
| Luzhou Laojiao Selected Supply Chain Management Co., Ltd.       | Selected company                 |                            | 100.00   | 100.00            |
| Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.       | Guangxi Imported Liquor Industry |                            | 100.00   | 100.00            |
| Luzhou Dingli Liquor Industry Co., Ltd.                         | Dingli company                   |                            | 100.00   | 100.00            |
| Luzhou Dingyi Liquor Industry Sales Co., Ltd.                   | Dingyi company                   |                            | 100.00   | 100.00            |
| Luzhou Dinghao Liquor Industry Sales Co., Ltd.                  | Dinghao company                  |                            | 100.00   | 100.00            |
| Luzhou Laojiao Import and Export trade Co., Ltd.                | Import and export company        |                            | 100.00   | 100.00            |
| Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.         | Boda marketing                   |                            | 75.00    | 75.00             |
| Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.         | Bosheng Hengxiang                |                            | 100.00   | 100.00            |
| Luzhou Laojiao Fruit Wine industry Co., Ltd. <b>Note 2</b>      | Fruit wine industry              |                            | 41.00    | 60.00             |
| Mingjiang Co., Ltd.   | Mingjiang company                |                            | 54.00    | 54.00             |
| Luzhou Pinchuang Technology Co., Ltd.                           | Pinchuang company                | 100.00                     |          | 100.00            |
| Luzhou Laojiao Tourism Culture Co., Ltd.                        | Tourism culture                  | 100.00                     |          | 100.00            |
| Luzhou Laojiao International Development (Hong Kong) Co., Ltd.  | Hong Kong company                | 55.00                      |          | 55.00             |
| Luzhou Laojiao Commercial Development (North America) Co., Ltd. | North America company            |                            | 100.00   | 100.00            |

|   |                              |        |        |        |
|---|------------------------------|--------|--------|--------|
| Luzhou Laojiao Electronic Commerce Co., Ltd.                                  | Electronic Commerce          | 90.00  |        | 90.00  |
| Luzhou Laojiao Whitail Innovative Electronic Commerce Co., Ltd.               | Whitail Electronic Commerce  |        | 100.00 | 100.00 |
| Luzhou Laojiao Selected Electronic Commerce Co., Ltd.                         | Selected Electronic Commerce |        | 100.00 | 100.00 |
| Luzhou Laojiao Whitail Liquor Industry Co., Ltd. <b>Note 3</b>                | Whitail liquor industry      |        | 35.00  | 60.00  |
| Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd. <b>Note 3</b>          | Panda Whitail                |        | 60.00  | 60.00  |
| Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd. <b>Note 3</b> | Whitail Tongdao Uncle        |        | 70.00  | 70.00  |
| Luzhou Baonuo Biotechnology Co., Ltd.   | Baonuo biotechnology         | 100.00 |        | 100.00 |
| Luzhou Laojiao Health Liquor Industry Co., Ltd.                               | Health Liquor Industry       | 100.00 |        | 100.00 |
| Luzhou Laojiao Health Sales Co., Ltd.   | Health sales                 |        | 100.00 | 100.00 |

**Note 1:** Although the Company holds less than 51% of the equity of Custom liquor company, among the five members of the board of directors, the Company has sent three people, and the chairman of the board (legal representative) is the director sent by the Company. The Company has actual control over Custom liquor company, so it is included in the scope of consolidation.

**Note 2:** Although the Company holds less than 51% of the equity of Fruit wine industry, among the five members of the board of directors, the Company has sent three people, and the chairman of the board (legal representative) is the director sent by the Company. The Company has actual control over Fruit wine industry, so it is included in the scope of consolidation.

**Note 3:** Although the Company holds less than 51% of the equity of Whitail liquor industry and its subsidiaries, among the five members of the board of directors, the Company has sent three people. The Company has actual control over Whitail liquor industry and its subsidiaries, so it is included in the scope of consolidation.

Details of the subsidiaries incorporated into the consolidated financial statements show on “9.1. Interests in subsidiaries”

## **(2) Subsidiaries that are newly incorporated into the scope of consolidation in this period**

N/A

## **(3) Liquidation and cancellation for subsidiaries in this period**

N/A

Details of changes in the scope of consolidation show on “8. Changes in consolidated scope”.

## **4. Basis of preparation of financial statements**

### **4.1. Basis of preparation of financial statements**

The Company has prepared its financial statements on a going concern basis, and the preparation is

based on actual transactions and events in compliance with Accounting Standards for Business Enterprises and relevant guidance and explanation (the following called the ASBE) issued by Ministry of Finance, and Rules on Company Information Disclosure and Preparation of Publicly Issued Securities No.15- General Rules on Financial Reporting Rules (2014 Revision) issued by CSRC.

## **4.2. Going concern**

The Company's business activities have adequate financial support. Based on the current information obtained by the Company, comprehensively considering factors such as macro-policy risk, market operation risk, current or long-term profitability, debt repayment ability of the Company, as well as its resource of financial support, the Company believes that it is reasonable to prepare the financial statements on a going concern basis and there are no events or situations resulting in significant doubts over going concern for at least 12 months.

## **5. Significant accounting policies and accounting estimates**

### **5.1 The declaration about compliance with ASBE**

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the financial position and the Company's and results of operations, changes in shareholders' equity and cash flows. In addition, in all material respects, the financial statements of the Company comply with disclosure requirements of the financial statements and their notes in accordance with Rules on Company Information Disclosure and Preparation of Publicly Issued Securities No.15- General Rules on Financial Reporting Rules revised by CSRC in 2014.

### **5.2 Accounting period**

The Company adopts the calendar year as its accounting year, i.e. from 1st January to 31st December.

### **5.3 Business Cycle**

The Company's business cycle is 12 months.

### **5.4 Functional currency**

The Company has adopted China Yuan (CNY) as functional currency.

### **5.5 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control**

#### **(1) Business combination under common control**

Assets and liabilities obtained by the Company from the combine through business combination under common control shall be measured at the book value as stated in the consolidated financial statements of ultimate controlling party at the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital

premium) is adjusted according to the difference between the book value of net asset acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

#### (2) Business combination not under common control

Assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination shall be measured based on fair value on the acquisition date, the difference between fair value and its book value shall be included in current profit and loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill. After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.

## **5.6 Preparation of consolidated financial statements**

### (1) Consolidated Financial Statement Scope

The scope of the Company's consolidated financial statements is based on control, and all subsidiaries controlled are included in the consolidation scope of the consolidated financial statements.

### (2) Consolidation procedures

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company with other relevant information. When preparing consolidated financial statement, the Company considers the Group as an accounting entity, adopts unified accounting policies, and applies the requirements of ASBE related to recognition, measurement and presentation to reflect the Group's financial position, operating results and cash flows.

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be made necessary adjustment based on its own accounting policies and accounting periods of the Company. For subsidiaries acquired from the business combination not under common control, the financial statements shall be adjusted on the basis of the fair value of identifiable net assets on the date of purchase. For the subsidiary acquired from the business combination under common control, its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controlling party) shall be adjusted on the basis of the book value in the consolidated statements of the ultimate controlling party.

The portion of a subsidiary's equity, the current net profit and loss of subsidiaries, and the current comprehensive income attributable to non-controlling interests shall be separately presented as

non-controlling interests in consolidated balance sheet within owners' equity, below the net profit line item and below the total comprehensive income line item in the consolidated income statement respectively. When the amount of current loss attributable to non-controlling shareholders of a subsidiary exceeds the balance of the non-controlling shareholders' portion in the opening balance of owner's equity of the subsidiary, the excess shall be allocated against the non-controlling interests.

### **Acquisition of subsidiaries or business**

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the opening balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows. At the same time, the relevant items of the comparative information shall be adjusted as the combined entity existed since the control point of the ultimate controlling party.

If the Company can control the investee from the business combination under common control due to additional investment or other reasons, the parties involved in the combine shall be deemed to adjust in the current state when the ultimate controlling party starts to control them. For the equity investment before obtaining control of the investee, the recognized relevant profit or loss and other comprehensive income and other changes in net assets between the later of acquisition date of previous equity and the date on which both the investor and the investee are under common control and the combination date shall respectively write-down the beginning retained earnings or current profits and losses during the period of comparative information.

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the opening balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the Company shall re-measure the previously held equity interests to its fair value on the acquisition date, and the difference shall be recognized as investment income. When the previously held equity investment is accounted for under equity method, any other comprehensive income previously recognized and other equity changes (excluding other comprehensive, net profit and loss and profit distribution ) in relation to the acquiree's equity changes shall be transferred to profit and loss for the current period when acquisition took place, except for other comprehensive income resulting from changes in net liabilities or net assets due to re-measurement of defined benefit plan by investee.

### **Disposal of subsidiaries and business**

General treatments

During the reporting period, if the Company disposes subsidiaries, the income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

In case of loss of control over the investee due to partial disposal of the equity investment or other reasons, the Company shall re-measure the remaining equity investment at its fair value at the date of loss of control. The amount of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the net asset shares calculated continuously from the acquisition date based on the previous shareholding proportion and the goodwill, the difference shall be included in the investment income of the period when the control is lost. Other comprehensive income related to the former subsidiary's equity investment of or other changes in owners' equity excluding net profit and loss, other comprehensive income and profit distribution shall be transferred to investment income for the current period when control is lost. Other comprehensive income resulting from changes in net liabilities or net assets due to re-measurement of defined benefit plan by investee is excluded.

#### **Disposal of subsidiaries by step**

If the Company loses control of a subsidiary is through multiple transactions by steps, the terms, conditions and economic impact of the disposal transaction shall be considered. When one or more of the following conditions may indicate that multiple transactions should be treated as a package of transactions for accounting treatment:

- a. These arrangements were entered into at the same time or in contemplation of each other;
- b. These arrangements work together to achieve an overall commercial effect;
- c. The occurrence of one arrangement depends on the occurrence of at least one other arrangement;
- d. One arrangement alone is not economically justified, but it is economically justified when considered together with other arrangements

If the transactions of the disposal of the equity investment of the subsidiary until the loss of control belong to a package transaction, the Company shall account for as a transaction; However, the difference between each disposal consideration received and the corresponding proportion of the subsidiary's net assets before the loss of control shall be recognized as other comprehensive income in the consolidated financial statements and transferred into the profit and loss of the current period when the control is lost.

If the transactions from the disposal of the equity investment of the subsidiary to the loss of control are not considered as a package transactions, the accounting treatment shall be conducted according to the relevant policies on the partial disposal of the equity investment of the subsidiary where control is retained before the loss of control. When the control is lost, the disposal shall be accounted for according to the general treatment.

#### **Purchase of non-controlling interests**

The difference between the increase in the cost of long-term equity investment result from acquisition of

non-controlling shareholders and the share of net assets of the subsidiary calculated continuously from the acquisition date or combination date based on newly shareholding proportion shall be adjusted to equity (share) premium of capital reserves in the consolidated balance sheet. If the capital reserve is insufficient, any excess shall be adjusted against retained earnings.

### **Partial disposals of equity investment in subsidiaries without loss of control**

When the Company disposes of a portion of a long-term equity investment in a subsidiary without loss of control, the difference between disposal consideration and net assets of the subsidiary calculated continuously since the acquisition date or the combination date related to the disposal of long-term equity investment shall be adjusted to equity (share) premium of capital reserves in the consolidated balance sheet. If the capital reserve is insufficient, any excess shall be adjusted against retained earnings.

## **5.7 Classification of joint venture arrangements and the accounting treatment method of common operation**

### (1) Classification of joint venture arrangements

A joint arrangement is classified as either a joint operation or a joint venture according to the structure, legal form, agreed terms and other facts and conditions of a joint arrangement. A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture. However, when a joint arrangement provides clear evidence that it meets any of the following requirements and complies with applicable laws and regulations as a joint operation:

- a. The legal form of the joint arrangement indicates that the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- b. The terms of the joint arrangement specify that the parties that have joint control have the rights to the assets, and the obligations for the liabilities, relating to the arrangement.
- c. Other facts and circumstances indicate that the parties that have joint control have rights to the assets, and the obligations for the liabilities, relating to the arrangement.

The parties that have joint control have rights to substantially all of the output of the arrangement, and the arrangement depends on the parties that have joint control on a continuous basis for settling the liabilities of the arrangement.

### (2) Accounting by parties of a joint operator

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- a. Its solely-held assets, and its share of any assets held jointly;
- b. Its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- c. Its revenue from the sale of its share of the output arising from the joint operation;
- d. Its share of the revenue from sale of the output by the joint operation; and
- e. Its solely-incurred expenses and its share of any expenses incurred jointly.

The Company shall only recognize the portion of the profit and loss attributable to other participants in the joint venture, resulting from investment or sale of assets to the joint venture by the Company



(excluding those assets constituting the business), prior to the sale of such assets to a third party. The Company shall fully recognize impairment loss when there are any impairment loss of invested or sold assets occurring in accordance with the ASBE No.8-Asset Impairment. The Company shall only recognize the part of the profit and loss attributable to other participants in the joint venture before selling the assets and other assets purchased from the joint venture (excluding those assets constituting the business) to a third party. When the impairment loss of the purchased assets is in accordance with the ASBE No.8-Asset Impairment, the Company shall recognize such losses according to its share. When the Company does not have common control over the joint venture, if the Company enjoys the assets related to the joint venture and assumes the liabilities related to the joint venture, the accounting treatment shall be conducted according to the above principles. Otherwise, the accounting treatment shall be conducted in accordance with the relevant accounting standards.

## **5.8 Cash and cash equivalents**

When preparing the cash flow statement, the Company recognizes cash on hand and deposits that can be readily withdrawn on demand as cash. Cash equivalents are the Company's short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted bank deposits are not recognized as cash and cash equivalents in the cash flow statement.

## **5.9 Foreign currency transactions and translation of foreign currency statements**

### **(1) Foreign currency transactions**

At the time of initial recognition of a foreign currency transaction of the Company, the amount in the foreign currency shall be translated into the amount in CNY currency at the spot exchange rate of the transaction date. For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial recognition of a foreign currency or the previous balance sheet date is charged to the profit or loss of the current period except that the exchange difference generated from foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized.

Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss. If there is a non-monetary item of available-for-sale financial assets, the differences are recorded into other comprehensive income.

### **(2) Translation of foreign currency statements**

Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur. Differences arising from the above translations of

foreign currency financial statements are separately listed under other comprehensive income in the consolidated balance sheet. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period.

Foreign currency cash flow and cash flow of foreign subsidiaries shall be translated at approximate exchange rate of spot rate on the date of cash flow.

## 5.10 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. When the Company becomes a party to a financial instrument contract, the related financial asset or financial liability should be recognized.

### (1) Classification, recognition and measurement of financial assets

Based on the business model of financial asset management and the contract cash flow characteristics of financial assets, the Company classifies financial assets into: financial assets measured at amortized cost; financial assets measured at fair value with their changes included into other comprehensive income; and financial assets measured at fair value with their changes included into current profits/losses.

At the initial recognition, financial assets are measured at fair value. For financial assets measured at fair value with their changes included into current profits/losses, the expenses involved in the transaction are directly recorded into current profits/losses; for other financial liabilities, the expenses involved in the transaction are recorded into the initially recognized amount.

#### 1) Financial assets measured at amortized cost

The business model in which the Company manages financial assets measured at amortized cost aims to receive contract cash flow. Furthermore, the characteristics of the contract cash flow of such financial assets are consistent with basic borrowing and lending arrangements, which means that cash flow generated on a specific date serves only as payment for principal and interests based on the amount of unpaid principal. The Company adopts the effective interest method for such financial interests, performs subsequent measurement of them at amortized cost, and includes the gains or losses from derecognition, changes or impairment of them into current profits/losses.

#### 2) Financial assets measured at fair value with their changes included into other comprehensive income

The business model in which the Company manages such financial assets both aims to receive contract cash flow and for the purpose of sale. Furthermore, the characteristics of the contract cash flow of such financial assets are consistent with basic borrowing and lending arrangements. The Company measure such financial assets at fair value and include their changes into other comprehensive income, but record impairment losses or gains, exchange gains or losses and interest income calculated in the effective interest method into current profits/losses.

At the initial recognition, the Company may specify non-trading equity instrument investment as a

financial asset measured at fair value with its changes included into other comprehensive income and should recognize the dividend income according to regulations; the specification is irrevocable once made. When the financial asset is derecognized, the cumulative gains or losses previously included into other comprehensive income should be transferred into retained earnings.

### 3) Financial assets measured at fair value with their changes included into current profits/losses

For financial assets other than the above financial assets measured at amortized cost and financial assets measured at fair value with their changes included into other comprehensive income, the Company classifies them as financial assets measured at fair value with their changes included into current profits/losses. In addition, at the initial recognition, the Company specifies partial financial assets as financial assets measured at fair value with their changes included into current profits/losses, in order to eliminate or substantially reduce accounting mismatch. For such financial assets, the Company performs subsequent measurement using fair value and records changes in the fair value into current profits/losses.

#### (2) Classification, recognition and measurement of financial liabilities

At their initial recognition, financial liabilities are divided into financial liabilities measured at fair value with their changes included into current profits/losses and other financial liabilities. For financial liabilities measured at fair value with their changes included into current profits/losses, the expenses involved in the transaction are directly recorded into the current profits/losses. For other financial liabilities, the expenses involved in the transaction are recorded into the initially recognized value.

#### 1) Financial liabilities measured at fair value with their changes included into current profits/losses

Financial liabilities measured at fair value with their changes included into current profits/losses include trading financial liabilities (including derivatives classified as financial liabilities) and the financial liabilities specified to be measured at fair value with their changes included into current profits/losses at the initial recognition.

Trading financial liabilities (including derivatives classified as financial liabilities) are subsequently measured at fair value, with changes in fair value recorded into current profits/losses, except for those related to hedge accounting.

For those specified as financial liabilities measured at fair value with their changes included into current profits/losses, changes in the fair value of such liabilities caused by changes in the Company's own credit risk should be included into other comprehensive income. In derecognition of such liabilities, cumulative changes in their value caused by the Company's own credit risk that have been recorded into other comprehensive income should be transferred into retained earnings. Other changes in their fair value should be recorded into current profits/losses. If treatment of the impact of the Company's own credit risk changes of such financial liabilities in the above manner causes or expands accounting mismatch in profits/losses, the Company will include all gains or losses of such financial liabilities (including the amount of the impact of the Company's own credit risk changes) into current profits/losses.

## 2) Other financial liabilities

Financial liabilities other than those formed from the transfer of financial assets not meeting derecognition conditions or continuous involvement into transferred financial assets and those outside financial guarantee contracts are classified as financial liabilities measured at amortized cost. Such financial liabilities should be subsequently measured at amortized cost and the gains or losses from derecognition or amortization should be included into current profits/losses.

## (3) Recognition basis and measurement method of transfer of financial assets

If a financial asset meets any of the following conditions, it shall be derecognized: 1)The contractual right for collecting the cash flow of the financial asset has been terminated; 2)The financial asset has been transferred and almost all the risks and remunerations in respect of the ownership of the financial asset has been transferred to the transferee; 3)The financial asset has been transferred, and although the enterprise neither transfers nor retains almost all the risks and remunerations in respect of the ownership of the financial asset, it has abandoned its control over the asset.

If the enterprise neither transfers nor retains almost all the risks and remunerations in respect of the ownership of the financial asset and does not abandon its control over the asset, the involved financial asset shall be recognized according to the level of continuous involvement of the transferred financial asset and the relevant liabilities shall be recognized accordingly. The level of continuous involvement of the transferred financial asset refers to the level of risk faced by the enterprise due to changes in the value of the financial asset.

If the overall transfer of the financial asset meets the recognition conditions, the difference between the carrying value of the transferred financial asset as well as the consideration received from the transfer and the cumulative amount of fair value changes originally-recorded into other comprehensive incomes shall be recorded into the current profits/losses.

If partial transfer of the financial asset meets the recognition conditions, the carrying value of the transferred financial asset shall be apportioned at the relative fair value between the derecognition and underecognition part. The difference between the summation of the consideration received from the transfer and the cumulative amount of fair value changes originally-recorded into other comprehensive incomes that should be apportioned to the derecognition part and the apportioned aforementioned carrying value shall be recorded into the current profits/losses.

For a financial asset sold with the right of recourse or with the transfer of the financial asset endorsement, the Company shall decide whether almost all the risks and remunerations in respect of the ownership of the financial asset should be transferred. If they are transferred, the financial asset shall be derecognized; if they are retained, the financial asset shall not be derecognized; if they are neither transferred nor retained, the Company will continue to decide whether the enterprise should retain control over the asset and perform the accounting treatment according to the principles stated in previous paragraphs.

## (4) Derecognition of financial liabilities

When the current obligation of a financial liability (or a part of it) is relieved, the Company will derecognize the financial liability (or the part of it). When the Company (borrower) signs an agreement with a lender to replace an original financial liability in the form of bearing a new financial liability and the contract terms for the new financial liability differ from those for the original in substance, the original financial liability should be derecognized and the new one should be recognized. When the Company makes substantial changes to the contract terms of an original financial liability (or a part of it), the original financial liability should be derecognized and a new financial liability should be recognized according to the amended contract terms.

When a financial liability (or a part of it) is derecognized, the Company will include the difference between its carrying value and the consideration paid (including non-cash assets or liabilities borne that are transferred out) into current profits/losses.

#### (5) Offsetting of financial assets and financial liabilities

When the Company has the legal right to offset recognized financial assets and financial liabilities and may execute the legal right currently and simultaneously, the Company plans to settle or simultaneously encash the financial assets in net amounts and pay off the financial liabilities, the financial assets and the financial liabilities which are presented in the net amount after the mutual offset in the balance sheet. Other than that, they shall be presented separately in the balance sheet without the mutual offset.

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

Fair value refers to the price that a market participant can receive for selling an asset or transferring a liability in an orderly transaction on the measurement date. For an existing financial instrument in an active market, the Company adopts the quotations in the active market to determine its fair value. Quotations in the active market refer to prices that can be easily obtained from exchanges, brokers, industrial associations and pricing service institutions and represent the actual prices in the market transactions happening in a fair trade. For a non-existing financial instrument in an active market, the Company adopts the valuation technique to determine its fair value. The valuation technique includes references to familiar situations and the prices used by the parties voluntarily participating in the recent market transactions, as well as references to the present fair value of other financial instruments of the same nature, discounted cash flow method and options pricing model. In the valuation, the Company uses a valuation technique that is applicable in the current situation with sufficient data available and other information support, chooses input values that are consistent with the asset or liability characteristics considered by market players in related asset or liability transactions, and make maximum effort to use related observable input values on a preferential basis. When it is unable or unfeasible to obtain related observable input values, unobservable will be used.

#### (7) Equity instruments

Equity instruments refer to the contracts that can prove the Company's residual equity of assets after the deduction of all liabilities. The Company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments serve as the change treatment of equity. Transaction expenses related to the equity transactions are deducted from the equity. The Company does not recognize changes in the fair value of equity instruments.

Dividends from the Company's equity instruments distributed during the validity (including the "interests" from instruments classified as equity instruments) are treated as profit distribution.

#### (8) Impairment of financial instruments

Based on the expected credit loss, the Company treats financial assets measured at amortized cost and debt instrument investment measured at fair value with its changes included into other comprehensive income by impairment and recognizes the provision for loss.

Credit loss means the difference between all contract cash flow discounted at the original effective interest rate to be received according to contracts and all contract cash flow expected to be received, namely, the present value of all cash shortage. For a financial asset with credit impairment purchased by or originated from the Company, it should be discounted by the effective interest rate after credit adjustment to the financial asset.

For accounts receivable that do not contain significant financing components, the Company adopts simplified measurement to measure loss provisions according to the amount equivalent to the expected credit loss for the entire duration.

For a financial asset other than those using the above simplified measurement, the Company assesses on each balance sheet date whether its credit risk has substantially increased since the initial recognition. If it has not and is in the first stage, the Company will measure the loss provision at the amount equivalent to the expected credit loss for the next 12 months and calculate the interest income according to the book balance and the effective interest rate; if it has substantially increased since the initial recognition without credit impairment and is in the second stage, the Company will measure the loss provision at the amount equivalent to the expected credit loss for the entire duration and calculate the interest income according to the book balance and the effective interest rate; if credit impairment has occurred since the initial recognition and is in the third stage, the Company will measure the loss provision by the amount equivalent to the expected credit loss for the entire duration and calculate the interest income according to the amortization cost and the effective interest rate. For financial instruments with low credit risks on balance sheet dates, the Company assumes that their credit risks have not substantially increased since the initial recognition.

The Company assesses expected credit losses of financial instruments based on individual and group assessment. The Company considers the credit risk characteristics of different customers and assesses the expected credit losses of accounts receivable and other receivables based on account age portfolio. When assessing expected credit losses, the Company considers reasonable and well-founded information on past matters, present conditions and forecast of future economic conditions.

When it no longer reasonably expects to recover all or part of the contract cash flow of financial assets, the Company will directly write down the book balance of such financial assets.

### 5.11 Notes receivable

The method of determining the expected credit loss of notes receivables and accounting treatment method:

Divide notes receivables into various portfolios according to common risk characteristics based on the credit risk characteristics of acceptors and determine the accounting estimate policies of expected credit loss:

| Portfolio name                 | Provision method  |
|--------------------------------|---|
| Bank acceptance bill portfolio | The management evaluates that this type has low credit risk and its fixed bad debt provision ratio is 0%.                               |
| Trade acceptance portfolio     | The provision for impairment is made according to the expected loss rate with the same portfolio classification of accounts receivables |

### 5.12 Accounts receivables

The method of determining the expected credit loss of accounts receivables and accounting treatment method:

As for accounts receivables, regardless of whether there is a significant financing component, the Company always measures the provision for loss based on the amount equivalent to the expected credit loss over the entire life, and the resulting increase or reversal of provision for loss shall be included in the current profit or loss as gains or losses on impairment. The accrual method is as follows:

(1) When there is objective evidence showing that an account receivable has incurred credit impairment, the Company shall make bad debt provision for the account receivable and recognize the expected credit loss.

(2) When the information about the expected credit loss of a single financial asset cannot be evaluated at a reasonable cost, the Company shall divide the accounts receivables portfolio according to credit risk characteristics and measure the expected credit loss based on portfolios.

| Portfolio name  | Provision method      |
|-----------------|-----------------------|
| Risk portfolio  | Expected credit loss  |
| Other portfolio | No bad debt provision |

Other portfolio refers to the normal intercourse funds among the Company and businesses under the same control, the recovery of which are controllable with no risks. Thus, no bad debt provision was made.

The Company combines the accounts receivables classified as risk portfolio in accordance with similar credit risk characteristics (aging), and calculates the expected credit loss through the exposure at default and expected credit loss rate over the entire life based on the current situation and prediction of future economic situation consulting historical credit loss experience. The comparative table of the credit loss rate is as follows:

| Aging | Expected loss provision rate % |
|-------|--------------------------------|
|-------|--------------------------------|

|               |     |
|---------------|-----|
| Within 1 year | 5   |
| 1-2 years     | 10  |
| 2-3 years     | 20  |
| 3-4 years     | 40  |
| 4-5 years     | 80  |
| Over 5 years  | 100 |

### 5.13 Accounts receivables financing

The accounts receivables financing of the Company refer to the notes receivables measured at fair value through other comprehensive income on the balance sheet date. For more details, see Note 5.10 Financial instruments.

### 5.14 Other receivables

The method of determining the expected credit loss of other receivables and accounting treatment method:

As for other receivables, regardless of whether there is a significant financing component, the Company always measures the provision for loss based on the amount equivalent to the expected credit loss over the entire life, and the resulting increase or reversal of provision for loss shall be included in the current profit or loss as gains or losses on impairment. The accrual method is as follows:

(1) When there is objective evidence showing that the other receivable has incurred credit impairment, the Company shall make bad debt provision for the other receivable and recognize the expected credit loss.

(2) When the information about the expected credit loss of a single financial asset cannot be evaluated at a reasonable cost, the Company shall divide the other receivables portfolio according to credit risk characteristics and measure the expected credit loss based on portfolios.

| Portfolio name  | Provision method      |
|-----------------|-----------------------|
| Risk portfolio  | Expected credit loss  |
| Other portfolio | No bad debt provision |

Other portfolio refers to the normal intercourse funds among the Company and businesses under the same control, the recovery of which are controllable with no risks. Thus, no bad debt provision was made.

The Company combines the other receivables classified as risk portfolio in accordance with similar credit risk characteristics (aging), and calculates the expected credit loss through the exposure at default and expected credit loss rate over the entire life based on the current situation and prediction of future economic situation consulting historical credit loss experience. The comparative table of the credit loss rate is as follows:

| Aging         | Expected loss provision rate % |
|---------------|--------------------------------|
| Within 1 year | 5                              |
| 1-2 years     | 10                             |



|              |     |
|--------------|-----|
| 2-3 years    | 20  |
| 3-4 years    | 40  |
| 4-5 years    | 80  |
| Over 5 years | 100 |

## 5.15 Inventory

### (1) Classification of inventory

Inventories are classified as: raw materials, goods in progress, semi-finished goods, stock commodities, dispatched inventories, revolving materials (including packing materials and low-cost consumables).

### (2) Measurement method of dispatched inventories

The standard cost is used for daily accounting of raw materials, and the difference of material cost should be carried forward on a monthly basis to adjust the standard cost into the actual cost; The goods in progress and semi-finished goods shall be accounted according to the actual cost, and the weighted average method shall be used when they are received and delivered. The actual cost of the inventory at the end of the month above shall be taken as the standard cost, and the delivery shall be priced according to the standard cost. At the end of the month, the standard cost of the inventory at the end of the month shall be adjusted into the actual cost through the cost-sharing difference.

### (3) Basis to determine net realizable values of inventories and method of provision for stock obsolescence

At the end of the period, inventory is measured according to the lower of cost and net realizable value. The difference between inventory cost and net realizable value is higher than the provision for stock obsolescence, which is recorded into current profit and loss. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for stock obsolescence as a whole. For inventories that have large quantities but low value, the Company provides for stock obsolescence on a category basis.

The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

### (4) Inventory system

The Company adopts perpetual inventory system.

### (5) Amortization method of packing materials and low-cost consumables

It is amortized in full at once.

### 5.16 Contract assets

The Company presents contract assets or contract liabilities on the balance sheet according to the relationship between the fulfillment of its contract performance obligations and its customers' payment.

Considerations that the Company has the right to collect for commodities transferred or services provided to customers (and such right depends on other factors than time lapses) are presented as contract assets. The Company presents the right possessed to collect consideration from customers unconditionally (only depending on the passing of time) as accounts receivable. Refer to "The method of determining the expected credit loss of accounts receivables and accounting treatment method" for the detail on the Company's method of determining the expected credit loss of contract assets and accounting treatment method.

### 5.17 Contract costs

Contract costs comprise incremental costs incurred as the Company obtains a contract, and costs for contract performance. Incremental costs incurred as the Company obtains a contract refer to those costs which will not incur without entering into a contract (such as sales commission). If it is expected that the costs are recoverable, the Company will recognize the costs incurred to obtain a contract as one form of assets. In case that the term of asset amortization is shorter than one year or one normal operating cycle, the costs will be recognized as profit and loss of the current period after occurrence.

If the costs incurred from contract performance fall outside the inventory or the scope of other enterprise accounting standards and satisfy all of the following conditions, the Company will recognize the costs for contract performance as assets: a) The costs are directly related to one existing contract or contract that is expected to be obtained; b) The costs enrich the Company's resources for future contract performance (including continual fulfillment); c) The costs are estimated to be recovered.

Assets recognized from costs incurred to obtain a contract and costs for contract performance (hereinafter referred to as "assets related to contract costs") will be amortized based on the basis the same with the income from commodities or services related to the assets, and will be recognized as profit and loss of the current period. In case that the book value of assets related to contract costs is higher than the difference of the two items below, the Company will set aside provisions for assets impairment to deal with the extra part, and recognize that part as impairment losses: a) Estimated residual consideration to be obtained from transfer of commodities or services related to the assets; b) Estimated costs incurred from transfer of the relevant commodities or services.

### 5.18 Assets held for sale

#### (1) Classification of non-current assets held for sale or disposal groups

The Company shall classify the non-current assets or disposal group meeting the following conditions into the held-for-sale category: The assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); Its sale must be highly probable.; The Company has already made a decision to dispose the component and has a commitment from the purchaser, the transfer will be completed within one year.

The non-current assets or disposal group acquired by the Company for resale shall be divided into the held-for-sale category on the acquisition date if it meets the condition that "the sale is expected to be completed within one year" and if it is likely to meet other conditions for the held-for-sale category within a short period (usually three months).

Due to one of the following reasons that the Company is unable to control, leading to the transactions uncompleted with non-related party within one year, and the Company still commits to sale non-current assets or disposal groups, it can continue to account for non-current assets or disposal groups as held-for-sale: the buyer or any other party accidentally set sale extension condition. The Company has to take action in time according to these conditions and the extension problem is expected to be solved within one year; In rare cases, the Company has taken the necessary steps and re-satisfy the hold for sale category condition within the first year for the new circumstances which caused it unable to complete the sale of the non-current assets or disposal group within one year.

## (2) Measurement of non-current assets or disposal groups held for sale

### a. Initial measurement and subsequent measurement

When the Company measure a non-current asset or disposal group held for sale initially or re-measure at balance sheet date subsequently, the impairment loss should be recognized if the book value is higher than fair value less costs to sell at the amount of the difference of these two in profit and loss, the provision for assets held for sale need to be recognized at the same time.

For the non-current assets or disposal groups divided into held-for-sale category on the acquisition date, they shall be measured as the lower of the initial measurement amount and the net amount after deducting the selling expenses from the fair value under the assumption that it is not divided into held-for-sale categories at the initial measurement. Except for the non-current assets or the disposal groups obtained in the enterprise merger, the difference caused by the non-current assets or the disposal groups taking the net amount after the fair value minus the selling expenses as the initial measurement amount shall be recorded into the current profit and loss.

For the impairment of disposal group, it should write off goodwill if existing, and then write down the related assets proportionally.

Depreciation or amortization should cease for the non-current asset held for sale. Interest and other charges on liabilities in the disposal groups held for sale continue to be recognized.

### b. Accounting treatment of reversal of impairment loss

If the net amount of the non-current assets held for sale on the subsequent balance sheet date increases after the fair value minus the selling expenses, the amount previously written down shall be reversed, and the amount of the impairment loss recognized after being classified as the held-for-sale shall be reversed, and the reversed amount shall be included in the current profit and loss. The impairment loss recognized before the classification of the held-for-sale shall not be reversed.

If the net amount of the disposal groups held for sale on the subsequent balance sheet date increases after the fair value deducting the selling expenses, the amount previously written down shall be reversed, and the amount of the impairment loss recognized as non-current assets after being classified as the held-for-sale shall be reversed, and the reversed amount shall be included in the current profit and loss. The book value of the goodwill that has been written down and the impairment losses recognized before the classification of the held-for-sale shall not be reversed.

The subsequent reversed amount of the impairment loss recognized by the disposal groups held for sale shall be increased in proportion to the book value of non-current assets except goodwill in the disposal groups.

c. The accounting treatment that does not continue to be classified as held-for-sale and the termination of recognition

Non-current assets or disposal groups that are no longer divided into held-for-sale category or non-current assets are removed from disposal groups held for sale because of no longer meeting the condition of classification of held-for-sale, they are measured at lower of the following two: book value before being classified as the held-for-sale considering depreciation, amortization or impairment that should have been recognized under the assumption that it is not divided into held-for-sale categories; and recoverable amount.

When terminating the recognition of the non-current assets held for sale or the disposal groups, the unrecognized gains or losses shall be recorded into the current profit and loss.

## 5.19 Long-term equity investment

(1) Judgment criteria of common control and significant influence

Common control on an agreement with other participants refers to the Company share control with other participants on an arrangement according to relevant conventions, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. This arrangement belongs to joint venture. Where the joint venture arrangement is made by a separate entity and the Company is judged to have rights to the net assets of such a separate entity according to the relevant conventions. Such a separate entity shall be regarded as a joint venture and accounted by the equity method. If the Company is judged to be not entitled to the net assets of the separate entity according to relevant conventions, the separate entity shall be regarded as a joint venture and the Company shall recognize the items related to the shares of the joint venture and perform accounting treatment in accordance with relevant accounting standards.

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. The Company judges that it has a significant impact on the invested entity through one or more of the following situations and taking all the facts and circumstances into consideration:

- a. Dispatch representatives to the board of directors or similar authorities of the investee.
- b. To participate in the financial and business policy making process of the investee.
- c. Significant transactions with the investee.

- d. Dispatch management personnel to the investee.
- e. To provide key technical data to the investee.

(2) Determination of the initial investment cost

a. Long-term equity investment resulting from combination

Business combination under common control:

For the long-term equity investments obtained by cash paid, non-monetary assets paid or assumed liabilities and the equity securities issued by the acquirer, on the merger date, the initial investment cost of long-term equity investment shall be taken as the share of the owner's equity of the investee in the book value of the final control party's consolidated financial statements. If the investee under business combination under common control can be controlled due to additional investment or other reasons, the initial investment cost of long-term equity investment shall be determined on the merger date according to the share of the net assets of the investee in the book value of the final control party's consolidated financial statements. The difference between the initial investment cost of the long-term equity investment on the merger date and sum of the book value of the long-term equity investment before the merger and the new consideration of acquiring shares on the merger date shall be recorded to adjust the equity premium. If the equity premium is insufficient to be written down, the retained earnings shall be written down.

Business combination not under common control: The Company takes the initial investment cost of long-term equity investment as the merger cost determined on the purchase date. If the investee can be controlled under business combination not under common control due to additional investment or other reasons, the previous book value of the equity investment held plus the sum of the newly added investment cost shall be taken as the initial investment cost calculated according to the cost method.

b. Long-term equity investment obtained by other means

For the long-term equity investments obtained by cash paid, the Company recognizes their fair value as the initial investment costs.

For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.

### (3) Subsequent measurement and recognition of profit and loss

#### a. Long-term equity investments measured under the cost method

Long-term equity investments that can control the investee are measured under the cost method. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

#### b. Long-term equity investments measured under the equity method

For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss.

The Company shall, according to the shares of net profits and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments. When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee are impairment of related assets, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

## 5.20 Investment property

Measurement model of investment property

Cost model

Method of depreciation or amortization

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The Company's investment property includes land use right already rent, land use right held for appreciation and then sold, and buildings already rent.

Initial Recognition

When the Company can obtain the rental income or value-added income related to the investment property and the cost of the investment property that can be measured reliably, the Company will initially measure it according to the actual expenditure of purchase or construction:

The cost of the purchased investment property includes the purchase price and related taxes directly attributable to the asset;

The cost of self-built investment property consists of the necessary expenses incurred before the asset reaches the intended use condition;

The cost of the investment property obtained by other means shall be recognized in accordance with relevant accounting standards.

Subsequent measurement

In general, the Company adopts the cost model to measure the follow-up expenditure of investment property. The depreciation or amortization of investment property shall be carried out in accordance with the accounting policies for the Company's fixed assets or intangible assets.

If there is solid evidence suggests that the investment property acquired can be measured at fair value continuously and reliably, the Company can use fair value model for subsequent measurement. For the investment property measured at fair value model, the Company does not provide depreciation or amortization and adjusts its book value based on the fair value of investment property at the balance sheet date. The difference between the fair value and book value is recorded into current profit or loss.

(3) When the Company changes the use of investment property, the relevant investment property will be transferred to other assets.

## 5.21. Fixed assets

### (1) Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously: It is probable that the economic benefits relating to the fixed assets will flow into the Company; the cost of the fixed assets can be measured reliably.

### (2) Depreciation of fixed assets

| Category                    | Depreciation method  | Estimated useful life (Year) | Estimated residual value rate (%) | Annual depreciation rate (%) |
|-----------------------------|----------------------|------------------------------|-----------------------------------|------------------------------|
| Buildings and Constructions | Straight-line method | 10—45                        | 5                                 | 9.50—2.11                    |
| Special equipment           | Straight-line method | 5—35                         | 5                                 | 19.00—2.71                   |
| Universal equipment         | Straight-line method | 4—25                         | 5                                 | 23.75—3.80                   |
| Transportation equipment    | Straight-line method | 6                            | 5                                 | 15.83                        |
| Other equipment             | Straight-line method | 4—16                         | 5                                 | 23.75—5.94                   |

Except for fixed assets still in use after full depreciation, the Company depreciates all fixed assets and calculates the depreciation in the straight-line depreciation method.

Based on the nature and use of fixed assets, the Company determines their service life and estimated net salvage value and reviews their service life, estimated net salvage value and depreciation method at the end of the year. Changes in the service life, estimated net salvage value and depreciation method of the same type of assets are treated as changes in accounting estimation.

The Company's newly-built brewing production lines, packaging production lines and warehousing assets, and the houses and buildings, special and general equipment formed thereof are obviously different from the existing same types of assets and have obviously longer estimated service life than the same types of fixed assets. The maximum years of depreciation for different types of the newly-built fixed assets are as follows: 45 years for houses and buildings; 35 years for special equipment and 25 years for general equipment.

During the year, some of the Company's projects in progress reached the expected usable state and were transferred into fixed assets.



### **(3) Recognition standard, valuation method and depreciation method for fixed assets acquired under financing lease**

If the purchase price of a fixed asset exceeds the normal credit conditions and the payment is delayed, which has a financing nature, the cost of the fixed asset shall be determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price, unless it should be capitalized, shall be recorded into the current profit and loss in the credit period.

For fixed assets acquired under financing lease, at the inception of the lease, the Company shall recognize it at the lower of the fair value of the leased assets or the present value of the minimum lease payments.

Fixed assets acquired under financing lease is adapted the same depreciation method as the one used on other fixed assets owned by the Company. If there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

## **5. 22. Construction in progress**

(1) Construction in progress refers to various construction and installation works carried out for the construction or repair of fixed assets, including the actual expenditure incurred in new construction, reconstruction and expansion, and the net value of fixed assets transferred from the reconstruction and expansion projects.

(2) Construction in progress is accounted on an individual project basis with actual cost valuation method. The borrowing costs incurred before the projects reach the intended use condition shall be included in the project cost. The fixed assets shall be carried forward in the month when the project is qualified for acceptance and delivery for use. For those that have reached the intended use condition but have not yet completed the final account, from the date of reaching the intended use condition, according to the project budget, construction cost or the actual cost of the project, the cost transferred to the fixed assets shall be determined according to the estimated value, and the depreciation shall be recognized; After the completion of the final account, the original provisional value shall be adjusted according to the actual cost, but the amount of depreciation accrued shall not be adjusted.

(3) The loan interest and related expenses incurred during the construction period shall be capitalized into the cost of the construction in Progress.

(4) On the balance sheet date, the construction in progress is recognized at the lower of book value and recoverable amount.

## **5. 23. Borrowing costs**

(1) Scope of borrowing costs and its capitalization conditions

The Company's borrowing costs capitalized during period of capitalization are relevant loan expenses directly attributable to the assets eligible for capitalization, including interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency

loan, etc.

Borrowing costs are capitalized when the following three conditions are met simultaneously: ① the asset expenditure has occurred, ② the borrowing costs have occurred, ③ the purchase and construction activities necessary to make the assets reach the intended use condition have started.

#### (2) Recognition of capitalized amounts

The capitalized amount of borrowing expenses is calculated as follows: As for special loan borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special loan actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs. As for general loans used for acquiring and constructing or producing assets eligible for capitalization, the interest of general loans to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special loans by the capitalization rate of used general loans. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant loans. Where there are discounts or premiums on loans, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method. Auxiliary expenses incurred from special loans before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

#### (3) Recognition of capitalization rate

For a special loan for the purchase and construction of fixed assets, the capitalization rate is the interest rate of the loan;

For more than one special loan for the acquisition and construction of fixed assets, the capitalization rate is a weighted average interest rate of these loans.

#### (4) Capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume.

#### (5) Capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur. If parts of the acquired and constructed or produced assets are completed separately but the assets cannot be used or

sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

## 5. 24. Intangible assets

### (1) Measurement method, useful life, impairment test

#### Measurement method

- a. Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use.
- b. Intangible assets invested by investors shall be valued at the value agreed upon in the investment contract or agreement;
- c. Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; The expenditures incurred in the development stage of the internal research and development projects shall be recognized as intangible assets when the following conditions are met; otherwise, they shall be recorded into the current profit and loss when they incur.
  - i. It is technically feasible to finish intangible assets for use or sale;
  - ii. It is intended to finish and use or sell the intangible assets;
  - iii. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
  - iv. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources.
  - v. The expenditure attributable to the intangible asset during its development phase can be measured reliably.
- d. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

#### Useful life and amortization method

For intangible assets with limited useful life, amortization shall be carried out according to the straight-line method within the period that brings economic benefits to the enterprise. At the end of each period, the useful life and amortization method of intangible assets with limited service life shall be reviewed. If there are differences with the original estimates, corresponding adjustments shall be made. Intangible assets whose useful life is uncertain shall be regarded as intangible assets if it is impossible to foresee the term in which intangible assets bring economic benefits to the enterprise. Intangible assets with uncertain useful life shall not be amortized during the holding period, and the life of intangible assets shall be reviewed at the end of each period. If it is still uncertain after the review at the end of the period, the impairment test shall continue during each accounting period. At the end of each period, the useful life of intangible assets with uncertain service life shall be reviewed.

### Impairment test

On the balance sheet date, intangible assets are valued at the lower of book value and recoverable amount.

### **(2) Internal research and development expenditure accounting policy**

The expenditures incurred in the development stage of the internal research and development projects shall be recognized as intangible assets when the following conditions are met; otherwise, they shall be recorded into the current profit and loss when they occur.

- a. It is technically feasible to finish intangible assets for use or sale;
- b. It is intended to finish and use or sell the intangible assets;
- c. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- d. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources.
- e. The expenditure attributable to the intangible asset during its development phase can be measured reliably.

Development expenditures that have been recorded into profit and loss in previous periods are not recognized as assets in subsequent periods. The capitalized expenditure in the development stage is listed as development expenditure in the balance sheet, and it will be recorded into intangible assets from the date when the project reaches its intended purpose.

## **5. 25. Long-term assets impairment**

On the balance sheet date, the Company makes a judgment on whether there are signs of possible impairment of long-term assets. If there are impairment indicators of non-current assets, the Company estimates the recoverable amount based on individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to.

The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset.

If the measurement result of recoverable amount shows that recoverable amount of the non-current assets is less than its book value, the book value shall be written down to the recoverable amount, and the amount written down shall be recognized as the impairment loss of assets, recorded into the current profit and loss, and the corresponding impairment provision of assets shall be made at the same time. Once impairment loss stated above is recognized, reversal is not allowed in the subsequent accounting periods.

After the recognition of the impairment loss, the depreciation or amortization expense of the impairment asset shall be adjusted accordingly in the future period so as to systematically apportion the adjusted book value of the asset (deducting the expected net salvage value) within the remaining service life of the asset.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

Goodwill shall be combined with its related asset group or asset group portfolio so as to perform an impairment test. When the Company performs an impairment test on relevant asset group or asset group portfolio including goodwill, if there are signs of impairment, the Company shall firstly perform an impairment test on asset group or asset group portfolio excluding goodwill and calculate the recoverable amount, and compare with the related book value, recognize the corresponding impairment loss. Then, the Company performs an impairment test on relevant asset group or asset group portfolio including goodwill, and compares the book value of the relevant asset groups or asset group portfolio (including proportional book value of goodwill) with its recoverable amount. If the recoverable amount of relevant asset group or asset group portfolio is less than its book value, the Company shall recognize impairment loss of goodwill.

## **5. 26. Long-term deferred expenses**

Long-term deferred expenses shall be initially measured according to the actual costs incurred. It is amortized using the straight-line method over the beneficial period. If it cannot benefit the following accounting period, the amortized value of the item that has not been amortized will be transferred to the current profit and loss.

## **5. 27 Contract liabilities**

The recognition method of contract liabilities: The Company presents contract assets or contract liabilities on the balance sheet according to the relationship between the fulfillment of its contract performance obligations and its customers' payment. Obligations to be fulfilled by the Company of transferring commodities or providing services to customers, as the Company has received or should receive customers' considerations, are presented as contract liabilities.

## **5. 28. Employee benefits**

### **(1) Accounting treatment method of short-term benefits**

Short-term benefits are the benefits that the Company expects to pay in full within 12 months after the reporting period in which the employee provided relevant services, excluding the compensation for employment termination. Accrued short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profit and loss or the relevant assets cost.

### **(2) Accounting treatment method of post-employment benefits**

#### **a. Defined contribution plan**

The defined contribution plan of the Company includes payments of basic pension and unemployment insurance calculated according to the local payment base and proportion. The amount shall be included into the profit and loss or the relevant assets cost for the accounting period in which the employee provides the service to the Company.

**b. Defined benefit plan**

According to the formula determined by the expected accumulative projected unit credit method, the Company will record the benefit obligation generated by the defined benefit plan belonging to the period during in which the employee provides the service into the current profit and loss or the relevant assets cost.

The deficit or surplus resulting from the present value minus the fair value of the assets of a defined benefit plan is recognized as a net liability or net asset of a defined benefit plan. If there is surplus in the defined benefit plan, the net assets of the defined benefit plan shall be measured at the lower of the surplus and the upper limit of assets of the defined benefit plan.

All defined benefit plan obligations, including those expected to be paid within the twelve months following the end of the annual reporting period in which the employee provides the service, are discounted based on the market yield and high quality corporate bonds in an active market that match the duration and currency of defined benefit plan obligations on the balance sheet date.

The service costs generated by the defined benefit plan and the net interest on net liabilities or net assets of the defined benefit plan are included in the current profit and loss or relevant assets cost; Changes in net liabilities or net assets generated by the re-measurement of the defined benefit plan are included in other comprehensive income and are not reversed to profit and loss in subsequent accounting periods.

At the time of settlement of the defined benefit plan, the settlement gains or losses shall be recognized according to the difference between the present value of the obligations of the defined benefit plan and the settlement price determined on the settlement date.

**(3) Accounting treatment method of termination benefits**

Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances:

- a. When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally;
  - b. When the Company recognizes costs and fees relevant to reforming the termination benefits payment.
- As for the termination benefits that cannot be fully paid within 12 months after the end of the annual report period, the Company shall choose an appropriate discount rate and record it into current profit and loss based on it.

**(4) Accounting treatment method of other long-term employee benefits**

Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances: a. When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally; b. When the Company recognizes costs and fees relevant to reforming the termination benefits payment. As for the termination benefits that cannot be fully paid within 12 months after the end of the annual report period, the Company shall choose an appropriate discount rate and record it into current profit and loss based on it.

## 5. 29. Estimated liabilities

### (1) Recognition criteria of estimated liabilities

If the contingent obligations meet the following conditions simultaneously, the Company shall recognize it as an estimated liability:

This obligation is the Company's current obligation; the performance of this obligation is highly likely to result in an outflow of economic benefits from the Company; The amount of the obligation can be measured reliably.

### (2) Measurement method of estimated liabilities

The Company's estimated liabilities are initially measured in terms of the best estimate of the expenditure of fulfilling the relevant current obligations.

For determining the best estimate, the Company takes various factors into account such as the risk, uncertainty and time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimate is processed as follows:

Where there is a continuous range (or range) of required expenditures and the probability of the occurrence of various results within the range is same, the best estimate is determined according to the mean of the middle value of the range, namely the mean value of the upper and lower limits.

Where there is no continuous range (or range) of required expenditures, or where there is a continuous range but the possibility of various outcomes within the range is different, if the contingencies involve a single item, the best estimate is determined according to the most likely amount; If the contingencies involve more than one item, the best estimate is calculated and determined according to various possible results and relevant probabilities.

Where all or part of the expenses required for the liquidation of the estimated liabilities of the Company are expected to be compensated by a third party, the amount of compensation shall be recognized as an asset when it is basically confirmed that it can be received, and the confirmed amount of compensation shall not exceed the book value of the estimated liabilities.

## 5. 30. Share-based payment

### (1) The type of share-based payment

Share-based payment is classified as equity-settled share-based payment and cash-settled share-based payment.

### (2) The method of determining the fair value of equity instruments

For equity-settled share-based payment related with employees, the equity instrument is measured at fair value. The cash-settled share-based payment shall be measured according to the fair value of the liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company.

For the fair value of the stock option granted, the fair value is determined by using the stock option pricing model, and the following factors are taken into account: the current price of the underlying shares, the exercise price of the option, the risk-free interest rate within the period of the option, the option life,

and the expected volatility of the stock price.

(3) Recognition of the best estimate basis of instrument that can be exercised

For the equity-settled share-based payment settled immediately after the grant, the fair value of the equity instrument shall be included in the relevant costs or expenses on the grant date, and the capital reserve shall be increased accordingly. Grant date means the date on which the share-payment agreement is approved.

For the equity-settled share-based payment, in which the services during waiting period are completed and the performance conditions are met, in return for services of employees, on each balance sheet date during waiting period, the current obtained service shall be included in the relevant costs or expenses and the capital reserves in accordance with the fair value of the equity instruments on the grant date, based on best estimate of the number of vested equity instruments, and the subsequent changes in fair value shall not be recognized. On each balance sheet date during waiting period, the Company makes the best estimate based on the latest available employee number change and other subsequent information, and modifies the number of equity instruments for the estimated vesting. On the vesting date, the final expected number of vesting instruments is the same as the actual number of vesting instruments.

(4) Relevant accounting treatment of implement, modification and termination of share-based payment plan

For equity-settled share-based payment, no adjustments will be made to the recognized costs and total owners' equity after the vesting date. On the vesting date, the Company shall recognize the share capital and the equity premium according to the exercise situation, and carry forward the capital reserve recognized in the waiting period.

No matter how it modifies the terms and conditions of the granted equity instruments or it cancels the granted equity instruments or its settlement, the equity instruments granted by the Company shall be recognized at fair value on the grant date and it measures obtained the corresponding services, unless it cannot be vested because it cannot meet the vesting conditions of equity instruments (except market conditions).

## 5. 31. Revenue

### Accounting policies for recognition and measurement of revenue

The Company starts to implement the new revenue standards.

(1) Basic principles of revenue identification

The Company recognizes revenue when it has fulfilled the performance obligations under the contract, that is, when the customers obtain the control of relevant goods or services, at the transaction price allocated to the performance obligations.

Performance obligations refer to the Company's promise that it will transfer clearly distinguishable goods or services to customers under the contract.

Obtaining control of related goods refers to that customers can control the use of the goods and obtain almost all the economic benefits from the goods.

The Company will evaluate the contract on the contract start date, identify each individual performance



obligation contained in the contract, and judge whether each individual performance obligation will be performed within a certain period of time or at a certain point in time. If one of the following conditions is met, and the performance obligation are performed within a certain period of time, the Company will identify revenue within a period of time according to the performance progress: a. The customers obtain and consume the economic profits while the Company performs the contract. b. The customers can control the products under construction during the performance of the Company; c. The products produced during the performance of the Company cannot be replaced, and the Company has the right to collect payment for the completed performance accumulated during the entire contract period. Otherwise, the Company will identify revenue when the customers obtain control rights of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company will apply the input-output method to identify the appropriate performance progress based on the nature of the goods and services. The input-output method is to identify the performance progress based on the value of the goods that have been transferred to the customers to the customers. When the performance progress cannot be reasonably identified and the Company's incurred costs are expected to be compensated, the Company will identify the revenue according to the amount of the incurred costs until the performance progress can be reasonably identified.

## (2) The methods of revenue identification

The Company mainly sells alcoholic products, which is a performance obligation performed at a certain point in time. The revenue identification of domestic products must meet the following requirements: a. The Company has delivered the products to the purchasers according to the contract and the purchasers have signed and confirmed the receipts. b. The amount of sales revenue has been identified. c. The payment has been received; the receipt of the document of title has been obtained and the relevant economic benefits are likely to flow in. d. The product-related costs can be reliably calculated. The following requirements must be met to confirm the revenue of export products: a. The Company has declared the products in accordance with the contract, obtained the bills of lading, received the payment or obtained the receipt of payment and related economic benefits that are likely to flow in. b. The main risks and rewards of the product ownership have been transferred. c. The legal ownership of the goods has been transferred.

Differences in accounting policies for the recognition of revenue caused by different business models for the same type of business

## 5. 32. Government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government like fiscal subsidies.

### (1) Judgment basis and accounting treatment method of government grants related to assets

Government grants related to assets are government grants that are acquired by the Company and used for forming long-term assets through purchasing and constructing or other ways. If the government documents do not clearly specify the target of the subsidy, the Company shall separately explain judgment basis of classifying the government grants into the government grants related to assets or income.

Accounting method: it shall be recognized as deferred income allocated evenly over the useful lives (the

period of depreciation and amortization) of the relevant assets from the month of commencement of depreciation or amortization when the relevant assets reaching the intended use condition, and included in the current profit or loss. However, government grants measured at the nominal amount shall be directly included in current profit and loss.

(2) Judgment basis and accounting treatment method of government grants related to income

Government grants related to income are government grants other than government grants related to assets;

Accounting method:

a. If it is used to compensate the Company's relevant expenses or losses in future periods, it should be recognized as deferred income and included into the current profit and loss or written off of the related costs when the relevant expenses, losses are recognized.

b. If it is used to compensate the Company's relevant expenses or losses incurred, it is directly included into the current profit and loss on acquisition or written off of the related costs.

c. Recognition time-point of government grants

Government grants are recognized when the Company can meet the attached conditions for the government grants and the Company can receive the grants.

d. Measurement of government grants

If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount.

### 5.33. Deferred tax assets or deferred tax liabilities

The Company adopts the balance sheet liability method to account for income tax.

The Company recognizes deferred tax assets when the following conditions are met simultaneously:

- i. Temporary differences are highly likely to be reversed in the foreseeable future;
- ii. Taxable income that may be used to offset the deductible temporary difference is likely to be obtained in the future and is limited to the amount of taxable income that is likely to be obtained.

On each balance sheet date, the current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured by the Company in light of the expected payable (refundable) amount of income taxes according to the tax law; The deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The Company shall review the carrying amount of deferred income tax assets on each balance sheet date. The current income tax and deferred income tax shall be recorded into the current profit and loss as income tax expense or income, except for the income tax generated from the enterprise merger, transactions or events directly recognized in the owner's equity.

## 5. 34. Lease

### (1) Accounting treatment of operating lease

a. The Company records rents of leased assets into current expense using straight line method in each period of the lease term including rent-free period. Initial direct expenses incurred are recorded into current expense. Contingent rents are recorded into current profit or loss when occur. When the lessor bears the leasehold expenses which shall be borne by the Company, the expenses shall be deducted from total rents and the residual rent is recognized into current profit or loss in each period of the lease term.

b. The rents arising from leasing assets shall be recorded into rent revenue using straight line method in each period of the lease term including rent-free period. Initial direct expenses incurred are recorded into current expense. If the amount is large, it shall be capitalized and recorded into current income in installment in the period of lease term according to the same recognition base of rent revenue. When the lessee bears the leasehold expenses which shall be borne by the Company, the expenses shall be deducted from total rents and the residual rent is amortized in each period of the lease term.

### (2) Accounting treatment of finance lease

a. As the lessee, it recognizes the lower of fair value of lease asset and minimum lease payment at the beginning day of the lease as the initial value of the asset leased in and the minimum lease payment as long-term payable, the difference as unrealized finance expense. Unrealized finance expense is amortized in the period during the lease term and recognized as current finance expenses using actual effective rate method.

b. As the lessor, it recognizes the difference between the total of minimum lease amount received and residual amount not guaranteed and the present value of that as unrealized finance income. It recognizes unrealized finance income as rent revenue in the period of lease term when the Company receives rent. The initial direct expense related to the lease transaction shall be recorded in the initial recognition of finance lease receivable and be deducted from recognized income in the period of lease term.

## 5. 35 Income tax expense

The Company's income tax is calculated in the balance sheet liability method.

The Company recognized deferred tax assets when both of the following conditions are met:

- (1) Temporary differences are very likely to reverse in foreseeable future;
- (2) It is very likely in the future that the taxable income amount can be obtained and used to offset the deductible temporary differences, which is capped at the taxable income amount that is very likely to obtain.

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and previous periods are measured at the expected income tax amount payable (or returnable) calculated according to tax laws. For deferred tax assets and deferred tax liabilities, in accordance with tax law, they shall be measured at the applicable tax rate during the period of expected recovery of such assets or satisfaction of such liabilities.

On the balance sheet date, the Company reviews the carrying values of deferred tax assets and deferred tax liabilities. The Company's current income tax and deferred tax will be treated as income tax expenses or income, except for income tax from business combinations or transactions or matters recognized directly in owners' equity.

## 5. 36 Changes in significant accounting policies and accounting estimates

### 5.36.1. Changes in significant accounting policies

√Applicable □N/A

| Content and reason of changes   | Approval procedures  | Note   |
|---|--|--|
| On 5 July 2017, the Ministry of Finance issued the Notice on Revising and Issuing 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. The Company starts to implement it since 1 January 2020 as required by relevant laws and regulations. | Approved on the 16 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors | In the balance sheet, the tax-free " Advance from customer " was changed to "contractual liabilities"; the value-added tax and output tax included in the " Advance from customer " were changed to "Other current liabilities"; the change merely influenced the financial statements, without impact on total assets, net assets and net profit. |

Note 1: Pursuant to the connection regulation for old and new standards, the Company starts to disclose financial statements as required by the new standards governing revenue since 2020 without retroactive adjustment for comparative data of 2019. The changes in accounting policies caused no influence on related financial indicators of 2019.

Note 2: According to the sales contract with the customers, if the Company is responsible for the transportation, the Company will deliver the products to the location designated by the customers and pays the related transportation expenses; the product sales belong to the performance obligation performed at a certain point in time and the Company will transfer the control rights to the customers when the products are delivered to the location designated by them. Before 1 January 2020, the Company reported the transportation expenses as sales costs. From 1 January 2020, the Company reported expenses as operating costs for transportation is a necessary activity for the company to perform the contract.

There was no other change in significant accounting policies in the Reporting Period other than the above changes.

### 5.36.2. Changes in significant accounting estimates

Applicable  N/A

### 5.36.3. Adjustments to the financial statements at the beginning of the execution year of any new standard governing revenue or leases from 2020

Applicable  N/A

Whether items of balance sheets at the beginning of the year need to be adjusted

Yes  No

Consolidated balance sheet

Monetary Unit: CNY

| Item                                     | 31 December 2019 | 1 January 2020   | Adjusted |
|--|------------------|------------------|----------|
| Current assets:                          |                  |                  |          |
| Cash and cash equivalents                | 9,753,666,526.78 | 9,753,666,526.78 |          |
| Settlement reserves                      |                  |                  |          |
| Lending funds                            |                  |                  |          |
| Trading financial assets                 |                  |                  |          |
| Derivative financial assets              |                  |                  |          |
| Notes receivables                        |                  |                  |          |
| Accounts receivables                     | 18,293,914.23    | 18,293,914.23    |          |
| Accounts receivables financing           | 2,393,797,259.80 | 2,393,797,259.80 |          |
| Prepayment                               | 151,818,448.48   | 151,818,448.48   |          |
| Premiums receivable                      |                  |                  |          |
| Reinsurance accounts receivable          |                  |                  |          |
| Reinsurance contract reserve             |                  |                  |          |
| Other receivables                        | 159,753,421.64   | 159,753,421.64   |          |
| Including: Interests receivable          | 45,636,744.44    | 45,636,744.44    |          |
| Dividends receivable                     |                  |                  |          |
| Buying back the sale of financial assets |                  |                  |          |

|  |                   |                   |  |
|--|-------------------|-------------------|--|
| Inventories                            | 3,641,235,092.33  | 3,641,235,092.33  |  |
| Contract assets                        |                   |                   |  |
| Assets held for sale                   |                   |                   |  |
| Non-current assets due within one year |                   |                   |  |
| Other current assets                   | 195,174,048.57    | 195,174,048.57    |  |
| Total current assets                   | 16,313,738,711.83 | 16,313,738,711.83 |  |
| Non-current assets:                    |                   |                   |  |
| Disbursement of loans and advances     |                   |                   |  |
| Investment in debt obligations         |                   |                   |  |
| Investment in other debt obligations   |                   |                   |  |
| Long-term receivables                  |                   |                   |  |
| Long-term equity investments           | 2,230,721,725.72  | 2,230,721,725.72  |  |
| Other equity instrument investment     | 352,395,255.78    | 352,395,255.78    |  |
| Other non-current financial assets     |                   |                   |  |
| Investment property                    |                   |                   |  |
| Fixed assets                           | 1,518,865,397.91  | 1,518,865,397.91  |  |
| Construction in progress               | 7,257,393,087.56  | 7,257,393,087.56  |  |
| Productive biological assets           |                   |                   |  |
| Oil and gas assets                     |                   |                   |  |
| Right-to-use assets                    |                   |                   |  |
| Intangible assets                      | 332,234,032.47    | 332,234,032.47    |  |
| Development expenses                   |                   |                   |  |
| Goodwill                               |                   |                   |  |
| Long-term deferred expenses            | 928,805.23        | 928,805.23        |  |
| Deferred tax assets                    | 676,152,614.07    | 676,152,614.07    |  |
| Other non-current assets               | 237,539,447.75    | 237,539,447.75    |  |
| Total non-current assets               | 12,606,230,366.49 | 12,606,230,366.49 |  |
| Total assets                           | 28,919,969,078.32 | 28,919,969,078.32 |  |

|   |                  |                  |                   |
|---|------------------|------------------|-------------------|
| Current liabilities:  |                  |                  |                   |
| Short-term loans  |                  |                  |                   |
| Borrowings from the central bank  |                  |                  |                   |
| Loans from other banks  |                  |                  |                   |
| Trading financial liabilities   |                  |                  |                   |
| Derivative financial liabilities  |                  |                  |                   |
| Notes payable   |                  |                  |                   |
| Accounts payable  | 1,868,623,958.02 | 1,868,623,958.02 |                   |
| Advance from customer   | 2,244,442,643.64 |                  | -2,244,442,643.64 |
| Contract liabilities  |                  | 1,986,232,428.00 | 1,986,232,428.00  |
| Financial assets sold for repurchase  |                  |                  |                   |
| Customers deposits and deposits from banks and other financial institutions |                  |                  |                   |
| Customer brokerage deposits   |                  |                  |                   |
| Securities underwriting brokerage deposits                                  |                  |                  |                   |
| Employee benefits payable   | 342,025,687.49   | 342,025,687.49   |                   |
| Taxes payable   | 1,633,044,231.67 | 1,633,044,231.67 |                   |
| Other payable   | 698,942,399.37   | 698,942,399.37   |                   |
| Including: Interests payable  | 30,650,684.93    | 30,650,684.93    |                   |
| Dividends payable   |                  |                  |                   |
| Handling charges and commissions payable                                    |                  |                  |                   |
| Reinsurance accounts payable  |                  |                  |                   |
| Liabilities held for sale   |                  |                  |                   |
| Non-current liabilities due within one year                                 |                  |                  |                   |
| Other current liabilities   |                  | 258,210,215.64   | 258,210,215.64    |
| Total current liabilities   | 6,787,078,920.19 | 6,787,078,920.19 |                   |

|   |                   |                   |  |
|---|-------------------|-------------------|--|
| Non-current liabilities:                                  |                   |                   |  |
| Insurance contract reserves                               |                   |                   |  |
| Long-term loans   |                   |                   |  |
| Bonds payable   | 2,490,883,676.39  | 2,490,883,676.39  |  |
| Including: Preferred shares                               |                   |                   |  |
| Perpetual bonds   |                   |                   |  |
| Lease liabilities   |                   |                   |  |
| Long-term payables  |                   |                   |  |
| Long-term payroll payables                                |                   |                   |  |
| Accrued liabilities                                       |                   |                   |  |
| Deferred income   | 23,845,000.00     | 23,845,000.00     |  |
| Deferred tax liabilities                                  | 63,430,453.64     | 63,430,453.64     |  |
| Other non-current liabilities                             |                   |                   |  |
| Total non-current liabilities                             | 2,578,159,130.03  | 2,578,159,130.03  |  |
| Total liabilities   | 9,365,238,050.22  | 9,365,238,050.22  |  |
| Owners' equity:   |                   |                   |  |
| Share capital   | 1,464,752,476.00  | 1,464,752,476.00  |  |
| Other equity instruments                                  |                   |                   |  |
| Including: Preferred shares                               |                   |                   |  |
| Perpetual bonds   |                   |                   |  |
| Capital reserves  | 3,722,777,063.13  | 3,722,777,063.13  |  |
| Less: Treasury stock                                      |                   |                   |  |
| Other comprehensive income                                | 194,817,130.57    | 194,817,130.57    |  |
| Special reserves  |                   |                   |  |
| Surplus reserves  | 1,464,752,476.00  | 1,464,752,476.00  |  |
| General risk reserve                                      |                   |                   |  |
| Undistributed profits                                     | 12,559,746,579.91 | 12,559,746,579.91 |  |
| Total equity attributable to owners of the parent company | 19,406,845,725.61 |                   |  |
| Non-controlling interests                                 | 147,885,302.49    | 147,885,302.49    |  |
| Total owners' equity                                      | 19,554,731,028.10 | 19,554,731,028.10 |  |



|                                      |                   |                   |  |
|--------------------------------------|-------------------|-------------------|--|
| Total liabilities and owners' equity | 28,919,969,078.32 | 28,919,969,078.32 |  |
|--------------------------------------|-------------------|-------------------|--|

#### Statement for adjustment

In accordance with the requirements of the new revenue standards, the Company's consolidated and parent company's balance sheet adjusted the eligible tax-free advance from customer on 31 December 2019 to contractual liabilities on 1 January 2020, and adjusted the value-added tax and output tax included to other current liabilities on 1 January 2020. Apart from this, there are no other adjustments, which have no impact on the total assets, total liabilities and total net assets of the Company's consolidated and the parent company's balance sheet at the beginning of the year.

#### Balance sheet of parent company

Monetary Unit: CNY

| Item                                   | 31 December 2019  | 1 January 2020   | Adjusted |
|--|-------------------|------------------|----------|
| Current assets:                        |                   |                  |          |
| Cash and cash equivalents              | 8,872,692,385.79  | 8,872,692,385.79 |          |
| Trading financial assets               |                   |                  |          |
| Derivative financial assets            |                   |                  |          |
| Notes receivables                      |                   |                  |          |
| Accounts receivables                   | 21,562.85         | 21,562.85        |          |
| Accounts receivables financing         |                   |                  |          |
| Prepayment                             | 11,682,593.27     | 11,682,593.27    |          |
| Other receivables                      | 5,850,481,480.50  | 5,850,481,480.50 |          |
| Including: Interests receivable        | 40,570,144.44     | 40,570,144.44    |          |
| Dividends receivable                   |                   |                  |          |
| Inventories                            | 1,049,384.24      | 1,049,384.24     |          |
| Contract assets                        |                   |                  |          |
| Assets held for sale                   |                   |                  |          |
| Non-current assets due within one year |                   |                  |          |
| Other current assets                   | 5,562,360.72      | 5,562,360.72     |          |
| Total current assets                   | 14,741,489,767.37 |                  |          |
| Non-current assets:                    |                   |                  |          |
| Investment in debt obligations         |                   |                  |          |

|                                      |                   |                   |               |
|--------------------------------------|-------------------|-------------------|---------------|
| Investment in other debt obligations |                   |                   |               |
| Long-term receivables                |                   |                   |               |
| Long-term equity investments         | 5,636,681,853.83  | 5,636,681,853.83  |               |
| Other equity instrument investment   | 352,066,334.15    | 352,066,334.15    |               |
| Other non-current financial assets   |                   |                   |               |
| Investment property                  |                   |                   |               |
| Fixed assets                         | 601,481,983.81    | 601,481,983.81    |               |
| Construction in progress             | 967,953,263.55    | 967,953,263.55    |               |
| Productive biological assets         |                   |                   |               |
| Oil and gas assets                   |                   |                   |               |
| Right-to-use assets                  |                   |                   |               |
| Intangible assets                    | 297,830,285.02    | 297,830,285.02    |               |
| Development expenses                 |                   |                   |               |
| Goodwill                             |                   |                   |               |
| Long-term deferred expenses          | 777,834.15        | 777,834.15        |               |
| Deferred tax assets                  | 75,249,717.72     | 75,249,717.72     |               |
| Other non-current assets             |                   |                   |               |
| Total non-current assets             | 7,932,041,272.23  | 7,932,041,272.23  |               |
| Total assets                         | 22,673,531,039.60 | 22,673,531,039.60 |               |
| Current liabilities:                 |                   |                   |               |
| Short-term loans                     |                   |                   |               |
| Trading financial liabilities        |                   |                   |               |
| Derivative financial liabilities     |                   |                   |               |
| Notes payables                       |                   |                   |               |
| Accounts payable                     | 87,652,671.29     | 87,652,671.29     |               |
| Advance from customer                | 9,712,630.35      |                   | -9,712,630.35 |
| Contract liabilities                 |                   | 8,595,248.10      | 8,595,248.10  |
| Employee benefits payable            | 116,124,722.19    | 116,124,722.19    |               |
| Taxes payable                        | 82,399,599.18     | 82,399,599.18     |               |

|   |                  |                  |              |
|---|------------------|------------------|--------------|
| Other payables                              | 1,099,598,588.83 | 1,099,598,588.83 |              |
| Including: Interests payable                | 30,650,684.93    | 30,650,684.93    |              |
| Dividends payable                           |                  |                  |              |
| Liabilities held for sale                   |                  |                  |              |
| Non-current liabilities due within one year |                  |                  |              |
| Other current liabilities                   |                  | 1,117,382.25     | 1,117,382.25 |
| Total current liabilities                   | 1,395,488,211.84 | 1,395,488,211.84 |              |
| Non-current liabilities:                    |                  |                  |              |
| Long-term loans                             |                  |                  |              |
| Bonds payable                               | 2,490,883,676.39 | 2,490,883,676.39 |              |
| Including: Preferred shares                 |                  |                  |              |
| Perpetual bonds                             |                  |                  |              |
| Lease liabilities                           |                  |                  |              |
| Long-term payables                          |                  |                  |              |
| Long-term payroll payables                  |                  |                  |              |
| Accrued liabilities                         |                  |                  |              |
| Deferred income                             | 2,380,000.00     | 2,380,000.00     |              |
| Deferred tax liabilities                    | 63,430,453.64    | 63,430,453.64    |              |
| Other non-current liabilities               |                  |                  |              |
| Total non-current liabilities               | 2,556,694,130.03 | 2,556,694,130.03 |              |
| Total liabilities                           | 3,952,182,341.87 | 3,952,182,341.87 |              |
| Owners' equity                              |                  |                  |              |
| Share capital                               | 1,464,752,476.00 | 1,464,752,476.00 |              |
| Other equity instruments                    |                  |                  |              |
| Including: Preferred shares                 |                  |                  |              |
| Perpetual bonds                             |                  |                  |              |
| Capital reserves                            | 3,706,816,950.12 | 3,706,816,950.12 |              |
| Less: Treasury stock                        |                  |                  |              |
| Other comprehensive                         | 192,332,738.05   | 192,332,738.05   |              |

|                                      |                   |                   |  |
|--------------------------------------|-------------------|-------------------|--|
| income                               |                   |                   |  |
| Special reserves                     |                   |                   |  |
| Surplus reserves                     | 1,464,752,476.00  | 1,464,752,476.00  |  |
| Undistributed profits                | 11,892,694,057.56 | 11,892,694,057.56 |  |
| Total owners' equity                 | 18,721,348,697.73 | 18,721,348,697.73 |  |
| Total liabilities and owners' equity | 22,673,531,039.60 | 22,673,531,039.60 |  |

#### Statement for adjustment

In accordance with the requirements of the new revenue standards, the Company's consolidated and parent company's balance sheet adjusted the eligible tax-free advance from customer on 31 December 2019 to contractual liabilities on 1 January 2020, and adjusted the value-added tax and output tax included to other current liabilities on 1 January 2020. Apart from this, there are no other adjustments, which have no impact on the total assets, total liabilities and total net assets of the Company's consolidated and the parent company's balance sheet at the beginning of the year.

#### 5.36.4. Retrospective restatement of previous comparative data due to the execution of any new standard governing revenue or lease from 2020

Applicable  N/A

## 6. Taxes

### 6.1. Major tax types and rates

| Tax type                               | Tax base  | Tax rate                   |
|--|---|----------------------------|
| Value-added tax                        | Taxable sales income                              | 13 %, 9%, 6%               |
| Urban maintenance and construction tax | Taxable turnover tax                              | 7%                         |
| Corporate income tax                   | Taxable income                                    | 25%, 15%, 16.5%, 9%, 0%    |
| Consumption tax (based on price)       | Liquor tax price or ex-factory price              | 20%                        |
| Consumption tax (based on quantity)    | Quantity of liquor                                | CNY 1.00/kg                |
| Education surcharge                    | Taxable turnover tax                              | 3%                         |
| Local education surcharge              | Taxable turnover tax                              | 2%                         |
| Property tax                           | Original value of the property*70%;<br>house rent | 1.2%, 12%                  |
| Land use tax                           | Land area   | CNY 5-18.00/m <sup>2</sup> |
| Others                                 | According to national regulation                  |                            |

Tax payment subject using different corporate income tax rates, the corporate income tax rates are as follows:

| Company name  | Corporate income tax rate          |
|---|------------------------------------|
| Luzhou Pinchuang Technology Co., Ltd.                           | 15%                                |
| Luzhou Laojiao International Development (Hong Kong) Co., Ltd.  | 16.5%                              |
| Luzhou Laojiao Commercial Development (North America) Co., Ltd. | 21%-40%                            |
| Mingjiang Co., Ltd.   | 21%-40%                            |
| Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.    | Exempted from corporate income tax |
| Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.       | 9%                                 |

## 6.2. Tax preferences

(1) According to *Announcement of the State Administration of Taxation on Corporate Income Tax Questions Concerning the Further Implementation of the Western Development Strategy* (State Administration of Taxation Announcement No.12 of 2012), companies are located in the western region whose primary business is listed in the *Catalogue of Encouraged Industries in the Western Region*, and the annual primary business income accounting for over 70% of the total enterprise income. These companies can be subject to the corporate income tax at a reduced rate of 15%. The Company's holding subsidiary, Luzhou Pinchuang Technology Co., Ltd., whose primary business income meet the requirements of scope and standard of the *Catalogue of Encouraged Industries in the Western Region*, is paid at the rate of 15% for corporate income tax.

(2) According to Article 27 of the *Corporate Income Tax Law of the People's Republic of China* and Article 86, Item 1 of the *Implementation Regulations of the Corporate Income Tax Law*, companies are exempted from enterprise income tax when they engage in agricultural, forestry, animal husbandry and fishery industries. The holding subsidiary of the Company, Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., is engaged in the cultivation and sale of organic sorghum and enjoys the reduction of corporate income tax preferences.

(3) According to the Article 15, Item 1 of the *Provisional Regulations on Value-Added Tax*, agricultural producers sell self-produced agricultural products exempt from value-added tax. The holding subsidiary of the Company, Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., is engaged in the cultivation and sale of organic sorghum and enjoys the value-added tax exemption.

(4) According to the Article 3, Item 7 of the *Notice on Revise of Interim Measures of Accelerating the Development in Headquarters Economy of China-Malaysia Qinzhou Industrial Park*, till 31 December 2020, the enterprises in the Qinzhou Industrial Park that enjoy 15% of tax rate of Western Development with the half reduction in the tax period of preferential policies shall enjoy the local share of corporate income tax exemption (namely 40% of corporate income tax was exempted, and the proportion adjusted

by the state shall be executed according to new proportion); Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd., the wholly-owned subsidiary of the Company, pays corporate income tax at the rate of 9% according to the tax preference policies.

## 7. Notes to the main items of the consolidated financial statements (All currency unit is CNY, except other statements)

### 7.1. Cash and cash equivalents

Monetary Unit: CNY

| Item   | Closing Balance   | Opening Balance  |
|--|-------------------|------------------|
| Cash   | 26,978.10         | 28,776.67        |
| Bank deposit   | 11,616,532,676.06 | 9,744,243,225.66 |
| Other cash and cash equivalents  | 8,310,686.44      | 9,394,524.45     |
| Total  | 11,624,870,340.60 | 9,753,666,526.78 |
| Including: Total deposit outbound                                      | 68,247,418.50     | 61,031,136.88    |
| Total amount with restriction to use due to mortgage, pledge or freeze | 56,675,277.79     | 1,400,000.00     |

Other statements:

Note1: The deposit outbound is the balance of cash and cash equivalents of the outbound holding subsidiary of the Company.

Note 2: The closing balance of other cash and cash equivalents is the travel service deposit of CNY 1,400,000.00 deposited by the Company's wholly-owned subsidiary, Luzhou Laojiao Tourism Culture Co., Ltd., in the designated bank according to the regulations of the tourism bureau, and balance of CNY 6,910,686.44 deposited by the Company's holding subsidiary, Luzhou Laojiao Electronic Commerce Co., Ltd. on the third-party e-commerce platform.

Note 3: CNY 1,400,000.00 of the total amount of funds with limited use rights due to mortgage, pledge or freezing is the travel service deposit with limited use rights in other cash and cash equivalents; CNY 55,275,277.79 is the fixed deposit interest accrued on the accrual basis.

Note 4: There is no special benefit arrangement such as establishing a fund co-management account with related parties in the current period.

Liquor and wine manufacturing companies shall disclose in detail whether there are special interest arrangements such as establishing co-management accounts with related parties.

Applicable  N/A

### 7.2. Accounts receivable

#### 7.2.1. Classification of accounts receivable

Monetary Unit: CNY

| Type   | Closing Balance           |            |                        |            |              | Opening Balance |            |                        |            |               |
|--|---------------------------|------------|------------------------|------------|--------------|-----------------|------------|------------------------|------------|---------------|
|  | Book balance              |            | Provision for bad debt |            | Book value   | Book balance    |            | Provision for bad debt |            | Book value    |
|  | Amount                    | Proportion | Amount                 | Proportion |              | Amount          | Proportion | Amount                 | Proportion |               |
| Including:   |                           |            |                        |            |              |                 |            |                        |            |               |
| Accounts receivable tested for impairment by the portfolio                                     | 1,587,225.12              | 100.00%    | 79,372.69              | 5.00%      | 1,507,852.43 | 19,266,797.97   | 100.00%    | 972,883.74             | 5.05%      | 18,293,914.23 |
| Including:   |                           |            |                        |            |              |                 |            |                        |            |               |
| Accounts receivable tested for impairment on the portfolio with characteristics of credit risk | 1,587,225.12              | 100.00%    | 79,372.69              | 5.00%      | 1,507,852.43 | 19,266,797.97   | 100.00%    | 972,883.74             | 5.05%      | 18,293,914.23 |
| Total  | 1,587,225.12 <sup>1</sup> | 100.00%    | 79,372.69              | 5.00%      | 1,507,852.43 | 19,266,797.97   | 100.00%    | 972,883.74             | 5.05%      | 18,293,914.23 |

Note: 1. The closing book balance at the period-end decreased CNY 17,679,572.85 compared with the period-begin, with a decrease by 91.76%, primarily driven by the influence of collection of (outbound) payments for goods.

Accounts receivable tested for impairment on the portfolio:

Monetary Unit: CNY

| Name            | Closing Balance |                        |            |
|-----------------|-----------------|------------------------|------------|
|                 | Book balance    | Provision for bad debt | Proportion |
| Risk portfolio  | 1,587,225.12    | 79,372.69              | 5.00%      |
| Other portfolio |                 |                        |            |
| Total           | 1,587,225.12    | 79,372.69              | --         |

Please refer to the relevant information of disclosure of provision for bad debt of other accounts receivable if adopting the general mode of expected credit loss to withdraw provision for bad debt of accounts receivable

Applicable  N/A

Disclosure by aging

Monetary Unit: CNY

| Aging | Closing balance |
|-------|-----------------|
|       |                 |

|                                  |              |
|----------------------------------|--------------|
| Within 1 year (including 1 year) | 1,586,996.53 |
| 1-2 years                        | 228.59       |
| Total                            | 1,587,225.12 |

The Company shall comply with the disclosure requirements of the *Guidelines No. 14 of the Shenzhen Stock Exchange on Industry Information Disclosure—Listed Companies Engaging in Business Related to Food & Liquor and Wine Production*.

### 7.2.2. Provision and recovery for bad and doubtful debt in the current period

Allowance of provision for bad debt:

Monetary Unit: CNY

| Type                                  | Opening Balance | Current Period |                      |           |       | Closing Balance |
|---------------------------------------|-----------------|----------------|----------------------|-----------|-------|-----------------|
|                                       |                 | Allowance      | Reversal or recovery | Write-off | Other |                 |
| Provision allowance by risk portfolio | 972,883.74      |                | 893,511.05           |           |       | 79,372.69       |
| Total                                 | 972,883.74      |                | 893,511.05           |           |       | 79,372.69       |

Note: There is no significant provision in accounts receivable reversed or recovered in the reporting period.

### 7.2.3. Top five entities with the largest balances of accounts receivable

Monetary Unit: CNY

| Company name                         | Closing Balance | Proportion to total closing balance of accounts receivable | Closing balance of provision for bad debt |
|--------------------------------------|-----------------|--|---|
| BAIWAN WINES INC.                    | 463,471.11      | 29.20%   | 23,173.56                                 |
| PARK STREET IMPORTS, LLC             | 392,207.17      | 24.71%   | 19,610.36                                 |
| JIUXIAN NETWORK TECHNOLOGY CO., LTD. | 263,871.15      | 16.62%   | 13,193.56                                 |
| CHENGDU KUAIGOU TECHNOLOGY CO., LTD. | 168,365.90      | 10.61%   | 8,418.30                                  |
| TAI FUNG CASTELMOR LIMITED           | 154,903.45      | 9.76%  | 7,745.17                                  |
| Total                                | 1,442,818.78    | 90.90%   |   |



### 7.3. Accounts receivable financing

Monetary Unit: CNY

| Item                 | Closing Balance                     | Opening Balance         |
|----------------------|-------------------------------------|-------------------------|
| Bank acceptance bill | 3,209,371,766.35                    | 2,393,797,259.80        |
| <b>Total</b>         | <b>3,209,371,766.35<sup>1</sup></b> | <b>2,393,797,259.80</b> |

Note: 1. The closing balance increased CNY 815,574,506.55 compared with opening balance, with an increase by 34.07%, mainly due to the increase of bank acceptance bill collected with the expansion of sales scale. 2. The business mode to manage notes receivable aims to collect contract cash flow as well as to sell the financial assets, and thus the notes receivable is presented as accounts receivable financing; due to the short term of notes receivable less than 1 year, and the sales time, sales price and sale proportion cannot be estimated reliably, the face value is regarded as the fair value of accounts receivable financing by the Company. 3. There was no allowance of provision for bad debt at the end of the reporting period.

Changes in accounts receivable financing in the reporting period and fair value:

Applicable  N/A

Please refer to the relevant information of disclosure of impairment provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw impairment provision of accounts receivable financing.

Applicable  N/A

Other statements:

(1) Account receivable financing pledge at the end of the year

Monetary Unit: CNY

| Item                 | Amount pledged at period-end |
|----------------------|------------------------------|
| Bank acceptance bill | 147,480,000.00               |
| <b>Subtotal</b>      | <b>147,480,000.00</b>        |

Note: The pledged bills at the end of the period are used to exchange large-value bills for small-value bills in order to facilitate the payment to suppliers.

(2) There is CNY 7,799,019,751.90 as follows of accounts receivable financing that have been endorsed to other parties by the Company but have not expired at the end of year:

Monetary Unit: CNY

| Item                 | Derecognition at period-end | Not derecognition at period-end |
|----------------------|-----------------------------|---------------------------------|
| Bank acceptance bill | 7,799,019,751.90            |                                 |
| <b>Subtotal</b>      | <b>7,799,019,751.90</b>     |                                 |

Note: The acceptor of the bank acceptance bill is a commercial bank. The probability of not being paid due is very low, and the possibility of being recourse is very low, so the confirmation has been terminated.

(3) There are no accounts receivable financing transferred to accounts receivable due to the non-performance of the agreements by the issuers.

(4) There are no accounts receivable financing actually written off during the reporting period.

## 7.4. Prepayment

### 7.4.1. Aging analysis

Monetary Unit: CNY

| Aging         | Closing Balance            |            | Opening Balance |            |
|---------------|----------------------------|------------|-----------------|------------|
|               | Amount                     | Proportion | Amount          | Proportion |
| Within 1 year | 72,436,550.81              | 96.99%     | 150,806,477.44  | 99.33%     |
| 1-2 years     | 2,042,638.57               | 2.73%      | 861,490.00      | 0.57%      |
| 2-3 years     | 206,348.00                 | 0.28%      | 150,481.04      | 0.10%      |
| Total         | 74,685,537.38 <sup>1</sup> | --         | 151,818,448.48  | --         |

Note: 1. The closing balance decreased by CNY 77,132,911.10 compared with opening balance, with a decrease by 50.81%, mainly due to the decrease of prepayments with the decline of product promotion activities affected by the COVID-19. 2. There is no significant prepayment whose aging is longer than 1 year.

### 7.4.2. Top five entities with the largest balances of prepayment

Monetary Unit: CNY

| Company Name  | Closing Balance      | Proportion to the total closing balance of prepayment |
|---|----------------------|---|
| Shanghai Merlot Advertising Co., Ltd.                                       | 44,617,600.00        | 59.74%  |
| Luzhou Power Supply Company of State Grid<br>Sichuan Electric Power Company | 8,810,160.95         | 11.80%  |
| Luzhou Western Gas Co., Ltd.  | 8,050,769.30         | 10.78%  |
| Shanghai Endeavor Culture Development Co.,<br>Ltd.                          | 2,140,903.20         | 2.87%   |
| GAOSHENG WINERY CO.,LTD.YANTAI  | 1,088,160.64         | 1.46%   |
| <b>Subtotal</b>   | <b>64,707,594.09</b> | <b>86.64%</b>   |

## 7.5 Other receivables

Monetary Unit: CNY

| Item                | Closing Balance | Opening Balance |
|---------------------|-----------------|-----------------|
| Interest receivable |                 | 45,636,744.44   |

|                     |                |                |
|---------------------|----------------|----------------|
| Dividend receivable | 1,407,900.00   |                |
| Other receivables   | 125,625,031.42 | 114,116,677.20 |
| Total               | 127,032,931.42 | 159,753,421.64 |

### 7.5.1. Interest receivable

#### 7.5.1.1. Classification of interest receivable

Monetary Unit: CNY

| Item           | Closing Balance | Opening Balance |
|----------------|-----------------|-----------------|
| Fixed deposits |                 | 45,636,744.44   |
| Total          |                 | 45,636,744.44   |

### 7.5.2. Dividend receivable

#### 7.5.2.1. Classification of dividend receivable

Monetary Unit: CNY

| Item (investee)                   | Closing Balance | Opening Balance |
|-----------------------------------|-----------------|-----------------|
| Guotai Junan Securities Co., Ltd. | 1,407,900.00    |                 |
| Total                             | 1,407,900.00    |                 |

### 7.5.3. Other receivables

#### 7.5.3.1. Other receivables disclosed by nature

Monetary Unit: CNY

| Nature                                      | Closing book balance | Opening book balance |
|---|----------------------|----------------------|
| Intercourse funds                           | 44,472,270.26        | 28,928,320.63        |
| Petty cash                                  | 1,023,683.10         | 2,184,482.07         |
| Saving deposits involving contract disputes | 285,044,911.68       | 287,400,297.52       |
| Total                                       | 330,540,865.04       | 318,513,100.22       |

#### 7.5.3.2. Allowance of provision for bad debt

Monetary Unit: CNY

| Provision for bad debt | First stage     | Second stage         | Third stage          | Total |
|------------------------|-----------------|----------------------|----------------------|-------|
|                        | Expected credit | Expected loss in the | Expected loss in the |       |
|                        |                 |                      |                      |       |

|   | loss of the next 12 months | duration (credit impairment not occurred) | duration (credit impairment occurred) |                |
|---|----------------------------|---|---------------------------------------|----------------|
| Balance of 1 January 2020                       | 4,396,423.02               |   | 200,000,000.00                        | 204,396,423.02 |
| Balance of 1 January 2020 in the current period | —                          | —   | —                                     | —              |
| Allowance of the current period                 | 519,776.25                 |   |                                       | 519,776.25     |
| Verification of the current period              | 365.65                     |   |                                       | 365.65         |
| Balance of 31 December 2020                     | 4,915,833.62               |   | 200,000,000.00                        | 204,915,833.62 |

Changes of book balance with significant amount changed of loss provision in the current period

Applicable  N/A

Disclosure by aging

Monetary Unit: CNY

| Aging                            | Book balance   |
|----------------------------------|----------------|
| Within 1 year (including 1 year) | 35,484,670.99  |
| 1-2 years                        | 6,428,287.87   |
| 2-3 years                        | 656,740.54     |
| Over 3 years                     | 287,971,165.64 |
| 3-4 years                        | 344,000.00     |
| 4-5 years                        | 1,759,653.96   |
| Over 5 years                     | 285,867,511.68 |
| Total                            | 330,540,865.04 |

### 7.5.2.3. Provision and recovery for bad and doubtful other receivables in the current period

Allowance of provision for bad debt:

Monetary Unit: CNY

| Type                         | Opening Balance | Current Period |                      |           |       | Closing Balance |
|------------------------------|-----------------|----------------|----------------------|-----------|-------|-----------------|
|                              |                 | Allowance      | Reversal or recovery | Write-off | Other |                 |
| Other receivables tested for | 200,000,000.00  |                |                      |           |       | 200,000,000.00  |

|  |                |            |  |        |                |
|--|----------------|------------|--|--------|----------------|
| impairment individually<br>Note1                         |                |            |  |        |                |
| Other receivables tested for impairment by the portfolio | 4,396,423.02   | 519,776.25 |  | 365.65 | 4,915,833.62   |
| Total  | 204,396,423.02 | 519,776.25 |  | 365.65 | 204,915,833.62 |

Note 1: In the 2014 Annual Report, the Company disclosed the information about three deposits amounting to CNY 500,000,000.00 with Changsha Yingxin Sub-branch of Agricultural Bank of China and Nanyang Zhongzhou Sub-branch of Industrial and Commercial Bank of China. The deposits have lost the nature of monetary fund due to their involvement in contract disputes and have thus been transferred into “other receivables”. As of 31 December 2020, of the deposits involved in contract disputes, the amount that was not recovered was CNY 285,044,911.68. Related attorneys of W&H Law Firm Chengdu produced the *Legal Opinions on the Allowance of Provision for Bad Debt of Luzhou Laojiao Co., Ltd. for Abnormal Deposits in Three Places Including Changsha and Nanyang* on 10 March 2021. According to the opinions, “Whereas during the period from the issue of previous legal opinions till this production of legal opinions on the allowance proportion of provision for bad debt, there is no matter that occurred and affected or changed the provision for bad debt, and thus the judgment on the allowance of provision for bad debt at CNY 200 million shall remain”. Refer to Note 12.2. for details.

Note 2: There is no provision for bad debt with significant amount in other receivables reversed or recovered.

#### 7.5.2.4. Other receivables actually written off during the reporting period

Monetary Unit: CNY

| Item                                   | Written off amount |
|--|--------------------|
| Other receivables actually written off | 365.65             |

Statements for other receivables written off:

There is no other receivables written off with significant amount.

#### 7.5.2.5. Top five entities with the largest balances of the other receivables

Monetary Unit: CNY

| Company Name                        | Nature                             | Closing Balance | Aging        | Proportion in total receivables | Provisioning amount at period end |
|-------------------------------------|------------------------------------|-----------------|--------------|---------------------------------|-----------------------------------|
| Agricultural Bank of China Changsha | Saving deposits involving contract | 285,044,911.68  | Over 5 years | 86.24%                          | 200,000,000.00                    |

|   |                        |                       |                          |               |                       |
|---|------------------------|-----------------------|--------------------------|---------------|-----------------------|
| Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank | disputes               |                       |                          |               |                       |
| Beijing Jingdong Century Information Technology Co., Ltd.   | Security deposit, etc. | 8,266,786.75          | Within 1 year            | 2.50%         | 413,339.34            |
| Zhejiang Tmall Technology Co.,Ltd.  | Security deposit, etc. | 5,292,406.71          | Within 1 year            | 1.60%         | 264,620.34            |
| Housing and Urban-Rural Development Bureau of Longmatan District, Luzhou                                  | Security deposit       | 3,959,601.23          | Within 1 year, 1-2 years | 1.20%         | 350,626.57            |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.   | Security deposit       | 3,268,472.46          | Within 1 year            | 0.99%         | 163,423.62            |
| <b>Total</b>  | --                     | <b>305,832,178.83</b> | --                       | <b>92.52%</b> | <b>201,192,009.87</b> |

## 7.6 Inventories

Whether the Company needs to comply with the disclosure requirements of real estate industry

No

### 7.6.1. Categories of Inventories

Monetary Unit: CNY

| Category | Closing Balance |  |            | Opening Balance |  |            |
|----------|-----------------|--|------------|-----------------|--|------------|
|          | Book Balance    | Provision for stock obsolescence or impairment | Book Value | Book Balance    | Provision for stock obsolescence or impairment | Book Value |
|          |                 |  |            |                 |  |            |

|                               |                  | provision of contract performance costs |                  |                  | provision of contract performance costs |                  |
|-------------------------------|------------------|---|------------------|------------------|---|------------------|
| Raw materials                 | 92,033,654.20    |   | 92,033,654.20    | 59,935,022.20    |   | 59,935,022.20    |
| Goods in progress             | 454,404,230.07   |   | 454,404,230.07   | 201,122,739.38   |   | 201,122,739.38   |
| Finished goods                | 997,109,606.41   |   | 997,109,606.41   | 1,136,393,394.73 |   | 1,136,393,394.73 |
| Revolving materials           | 79,396.01        |   | 79,396.01        | 18,778,952.72    |   | 18,778,952.72    |
| Goods in transit              | 27,887,027.65    |   | 27,887,027.65    | 110,174,419.64   |   | 110,174,419.64   |
| Self-made semi-finished goods | 3,124,149,516.91 |   | 3,124,149,516.91 | 2,114,830,563.66 |   | 2,114,830,563.66 |
| Total                         | 4,695,663,431.25 |   | 4,695,663,431.25 | 3,641,235,092.33 |   | 3,641,235,092.33 |

Note: 1. The closing balance increased CNY 1,054,428,338.92 compared with opening balance, with an increase by 28.96%, mainly due to the remarkable increase in the output of raw liquor in the self-made semi-finished goods because some constructions of the technical renovation project of brewing were put into production successively in the current period.

The Company shall comply with the disclosure requirements of the *Guidelines No. 14 of the Shenzhen Stock Exchange on Industry Information Disclosure—Listed Companies Engaging in Business Related to Food & Liquor and Wine Production*.

## 7.7. Other current assets

Monetary Unit: CNY

| Item                 | Closing Balance | Opening Balance |
|----------------------|-----------------|-----------------|
| Value-added tax      | 67,752,538.61   | 112,912,411.46  |
| Corporate income tax | 83,493,943.79   | 78,049,453.69   |
| Other taxes          | 5,318,941.78    | 4,212,183.42    |
| Total                | 156,565,424.18  | 195,174,048.57  |

Other statements:

The value-added tax expected to be deducted in the next fiscal year and corporate income tax and other taxes are disclosed in other current assets.

## 7.8. Long-term equity investments

Monetary Unit: CNY

| Investee  | Opening Balance (book value) | Changes in current period |          |   |   |                         |                                  |                          |       | Closing Balance (book value) | Closing Balance of provision for impairment |
|---|------------------------------|---------------------------|----------|---|---|-------------------------|----------------------------------|--------------------------|-------|------------------------------|---|
|   |                              | Increase                  | Decrease | Gain or loss recognized under equity method | Adjustments of other comprehensive income | Other changes in equity | Cash dividend or profit declared | Provision for impairment | Other |                              |   |
| 1. Joint Ventures   |                              |                           |          |   |   |                         |                                  |                          |       |                              |   |
| 2. Associate  |                              |                           |          |   |   |                         |                                  |                          |       |                              |   |
| Huaxi Securities Co., Ltd.  | 2,209,738,981.55             |                           |          | 197,511,851.10                              | -2,965,293.21                             |                         | 20,735,166.94                    |                          |       | 2,383,550,372.50             | 2,567,098.80                                |
| Sichuan Development Wine Investment Co., Ltd.                                 | 12,982,744.17                |                           |          | -6,128,272.50                               |   |                         |                                  |                          |       | 6,854,471.67                 |   |
| Sichuan Tongnian Liquor Industry Technology Research Institute Co., Ltd. Note | 8,000,000.00                 |                           |          | 9,898.80                                    |   |                         |                                  |                          |       | 8,009,898.80                 |   |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.                     |                              | 80,000,000.00             |          | -747,571.70                                 |   |                         |                                  |                          |       | 79,252,428.30                |   |
| Subtotal  | 2,230,721,725.72             | 80,000,000.00             |          | 190,645,905.70                              | -2,965,293.21                             |                         | 20,735,166.94                    |                          |       | 2,477,667,171.27             | 2,567,098.80                                |



|       |                  |               |  |                |               |  |               |  |  |                  |              |
|-------|------------------|---------------|--|----------------|---------------|--|---------------|--|--|------------------|--------------|
| Total | 2,230,721,725.72 | 80,000,000.00 |  | 190,645,905.70 | -2,965,293.21 |  | 20,735,166.94 |  |  | 2,477,667,171.27 | 2,567,098.80 |
|-------|------------------|---------------|--|----------------|---------------|--|---------------|--|--|------------------|--------------|

## Other statements

Note: On 7 August 2020, the 21st Meeting of the ninth Board of Directors of the Company reviewed and approved the *Proposal on Participating in the Investment in the Establishment of CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.*, agreeing to the Company's cooperation with Hong Kong China Travel International Investment Co., Ltd. (hereinafter referred to as "Hong Kong China Travel") to fund the establishment of CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd. Specifically, Hong Kong China Travel will hold 60% of the shares and the Company will hold 40%, which has a significant impact and is calculated according to the equity method.

## 7.9. Other equity instrument investment

Monetary Unit: CNY

| Item   | Closing Balance       | Opening Balance       |
|--|-----------------------|-----------------------|
| North Chemical Industries Co.,Ltd.   | 11,460,858.15         | 11,757,933.60         |
| Luzhou Bank Co., Ltd.  | 95,561,825.55         | 89,076,363.20         |
| Guotai Junan Securities Co., Ltd.  | 206,450,757.39        | 217,756,674.52        |
| Guotai Junan Investment Management Co., Ltd.   | 22,611,834.24         | 22,611,834.24         |
| Guojiu Big Data Co., Ltd.  | 10,000,000.00         | 10,000,000.00         |
| Sichuan China Liquor Golden Triangle Brand Operation Development Co., Ltd. and other equity instrument investments | 1,075,124.09          | 1,192,450.22          |
| <b>Total</b>   | <b>347,160,399.42</b> | <b>352,395,255.78</b> |

Categories of non-trading equity instrument investment in the current period:

Monetary Unit: CNY

| Item                               | Recognized dividends income | Accumulative gains | Accumulative losses | Amount of other comprehensive income transferred to retained earnings | Reason for assigning to measure at fair value and changes recorded into other comprehensive income | Reason of other comprehensive income transferred to retained earnings |
|------------------------------------|-----------------------------|--------------------|---------------------|---|--|---|
| North Chemical Industries Co.,Ltd. | 85,995.53                   | 10,430,858.15      |                     |   | According to the mode of managing  |   |

|  |              |                |              |  |  |  |
|--|--------------|----------------|--------------|--|--|--|
|  |              |                |              |  | assets by management layer                                   |  |
| Luzhou Bank Co., Ltd.                        | 4,700,800.00 | 44,441,825.55  |              |  | According to the mode of managing assets by management layer |  |
| Guotai Junan Securities Co., Ltd.            | 4,593,028.83 | 193,731,600.63 |              |  | According to the mode of managing assets by management layer |  |
| Guotai Junan Investment Management Co., Ltd. |              |                |              |  | According to the mode of managing assets by management layer |  |
| Guojiu Big Data Co., Ltd.                    |              |                |              |  | According to the mode of managing assets by management layer |  |
| Shenzhen Xingangfeng Development Co., Ltd.   |              |                | 2,354,000.00 |  | According to the mode of managing assets by management layer |  |
| Sichuan Deyang Jintai Hotel                  |              |                | 2,000,000.00 |  | According to the mode of managing assets by management layer |  |
| Hainan Huitong International Trust Company   |              |                | 1,000,000.00 |  | According to the mode of managing                            |  |

|  |  |  |            |  |  |  |
|--|--|--|------------|--|--|--|
|  |  |  |            |  | assets by management layer                                   |  |
| Sichuan China Liquor Golden Triangle Brand Operation Development Co., Ltd. and other equity instrument investments |  |  | 652,723.91 |  | According to the mode of managing assets by management layer |  |

Other statements:

On 19 June 2020, the former invested unit "Sichuan Nitrocell Co., Ltd." was renamed "North Chemical Industries Co.,Ltd."

## 7.10. Fixed assets

Monetary Unit: CNY

| Item                     | Closing Balance  | Opening Balance  |
|--------------------------|------------------|------------------|
| Fixed assets             | 6,885,609,781.96 | 1,516,871,720.00 |
| Disposal of fixed assets | 1,498,392.76     | 1,993,677.91     |
| Total                    | 6,887,108,174.72 | 1,518,865,397.91 |

### 7.10.1. Details of fixed assets

Monetary Unit: CNY

| Item                                       | Buildings and constructions | Specialized equipment | General equipment | Transportation equipment | Other equipment | Total            |
|--|-----------------------------|-----------------------|-------------------|--------------------------|-----------------|------------------|
| I. Original cost:                          |                             |                       |                   |                          |                 |                  |
| 1. Opening balance                         | 1,268,681,845.39            | 717,723,621.29        | 367,265,484.93    | 37,843,023.14            | 722,422,161.53  | 3,113,936,136.28 |
| 2. Increase in current period              | 4,461,793,414.14            | 220,061,030.95        | 343,383,646.68    | 6,776,836.99             | 668,545,667.84  | 5,700,560,596.60 |
| (1) External purchase                      | 94,031,422.50               | 304,042,676.64        | 14,209,734.34     | 6,184,778.76             | 36,220,971.47   | 454,689,583.71   |
| (2) Transfer from construction in progress | 4,380,287,925.30            | 248,940,402.68        | 340,510,489.54    | 592,058.23               | 275,626,297.25  | 5,245,957,173.00 |

|  |                  |                 |                |               |                  |                  |
|--|------------------|-----------------|----------------|---------------|------------------|------------------|
| (3) Increase from business combination                                   |                  |                 |                |               |                  |                  |
| (4) Transfer from intangible assets                                      |                  |                 |                |               | 141,509.44       | 141,509.44       |
| (5) Adjustment to categories   | -12,525,933.66   | -332,922,048.37 | -11,108,907.65 |               | 356,556,889.68   |                  |
| (6) Changes of exchange rates  |                  |                 | -227,669.55    |               |                  | -227,669.55      |
| 3. Decrease in current period  | 102,294,373.69   | 8,248,720.40    | 4,265,130.24   | 3,164,862.89  | 20,522,612.47    | 138,495,699.69   |
| (1) Disposal or retirement   | 21,167,964.79    | 6,529,381.44    | 2,981,599.96   | 3,164,862.89  | 16,347,605.06    | 50,191,414.14    |
| (2) Transfer of reconstruction and extension to construction in progress | 81,126,408.90    | 1,719,338.96    | 1,283,530.28   |               | 3,023,999.00     | 87,153,277.14    |
| (3) Transfer to intangible assets  |                  |                 |                |               | 1,151,008.41     | 1,151,008.41     |
| 4. Closing Balance   | 5,628,180,885.84 | 929,535,931.84  | 706,384,001.37 | 41,454,997.24 | 1,370,445,216.90 | 8,676,001,033.19 |
| II. Accumulated depreciation   |                  |                 |                |               |                  |                  |
| 1. Opening Balance   | 595,935,621.65   | 500,627,398.98  | 198,415,362.10 | 28,328,811.20 | 273,134,282.28   | 1,596,441,476.21 |
| 2. Increase in current period  | 78,958,983.61    | -236,073,741.60 | 54,823,716.31  | 2,217,288.33  | 386,639,791.09   | 286,566,037.74   |
| (1) Provision  | 88,019,782.94    | 75,120,266.37   | 65,426,474.41  | 2,217,288.33  | 55,901,875.52    | 286,685,687.57   |
| (2) Transfer from intangible assets                                      |                  |                 |                |               | 45,990.56        | 45,990.56        |
| (3) Adjustment to categories   | -9,060,799.33    | -311,194,007.97 | -10,437,117.71 |               | 330,691,925.01   |                  |
| (4) Changes of exchange rates  |                  |                 | -165,640.39    |               |                  | -165,640.39      |
| 3. Decrease in   | 67,382,121.87    | 7,734,960.18    | 3,711,484.51   | 2,888,739.46  | 11,521,896.77    | 93,239,202.79    |

|  |                  |                |                |               |                |                               |
|--|------------------|----------------|----------------|---------------|----------------|-------------------------------|
| current period   |                  |                |                |               |                |                               |
| (1) Disposal or retirement   | 10,599,620.37    | 6,101,588.17   | 2,634,388.70   | 2,888,739.46  | 7,741,924.69   | 29,966,261.39                 |
| (2) Transfer of reconstruction and extension to construction in progress | 56,782,501.50    | 1,633,372.01   | 1,077,095.81   |               | 2,872,799.04   | 62,365,768.36                 |
| (3) Transfer to intangible assets  |                  |                |                |               | 907,173.04     | 907,173.04                    |
| 4.Closing Balance  | 607,512,483.39   | 256,818,697.20 | 249,527,593.90 | 27,657,360.07 | 648,252,176.60 | 1,789,768,311.16              |
| III. Provision for impairment  |                  |                |                |               |                |                               |
| 1.Opening Balance  | 622,940.07       |                |                |               |                | 622,940.07                    |
| 2.Increase in current period   |                  |                |                |               |                |                               |
| (1) Provision  |                  |                |                |               |                |                               |
|  |                  |                |                |               |                |                               |
| 3.Decrease in current period   |                  |                |                |               |                |                               |
| (1) Disposal or retirement   |                  |                |                |               |                |                               |
|  |                  |                |                |               |                |                               |
| 4.Closing Balance  | 622,940.07       |                |                |               |                | 622,940.07                    |
| IV. Book Value   |                  |                |                |               |                |                               |
| 1.Closing Book Value   | 5,020,045,462.38 | 672,717,234.64 | 456,856,407.47 | 13,797,637.17 | 722,193,040.30 | 6,885,609,781.96 <sup>1</sup> |
| 2.Opening Book Value   | 672,123,283.67   | 217,096,222.31 | 168,850,122.83 | 9,514,211.94  | 449,287,879.25 | 1,516,871,720.00              |

Note: 1. The closing book value increased CNY 5,368,738,061.96 compared with the opening book value, with an increase by 353.93%, primarily driven by the influence of successive transfer of the technical renovation project of brewing into fixed assets in the current period. 2 The adjustment to the category means that the Company cleaned up and split all fixed assets during the current period, and adjusted the major categories of fixed assets.

**7.10.2. Fixed assets leased out through operating lease**

Monetary Unit: CNY

| Item                        | Closing book value |
|-----------------------------|--------------------|
| Buildings and constructions | 61,679,338.66      |
| Subtotal                    | 61,679,338.66      |

**7.10.3. Fixed assets without certification of right**

Monetary Unit: CNY

| Item                         | Book value       | Reason for not having the certification of right   |
|------------------------------|------------------|--|
| Buildings of parent company  | 26,587,034.54    | The property ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures. |
| Buildings of brewing company | 3,829,667,345.79 | In procedure   |
| Subtotal                     | 3,856,254,380.33 |  |

**7.10.4. Disposal of fixed assets**

Monetary Unit: CNY

| Item                              | Closing Balance | Opening Balance |
|-----------------------------------|-----------------|-----------------|
| Disposal and retirement of assets | 1,498,392.76    | 1,993,677.91    |
| Total                             | 1,498,392.76    | 1,993,677.91    |

**7.11. Construction in progress**

Monetary Unit: CNY

| Item                     | Closing Balance  | Opening Balance  |
|--------------------------|------------------|------------------|
| Construction in progress | 2,012,129,880.15 | 7,257,393,087.56 |
| Total                    | 2,012,129,880.15 | 7,257,393,087.56 |

**7.11.1. Details of the construction in progress**

Monetary Unit: CNY

| Item | Closing Balance |               |            | Opening Balance |               |            |
|------|-----------------|---------------|------------|-----------------|---------------|------------|
|      | Book balance    | Provision for | Book value | Book balance    | Provision for | Book value |

|  |                         | impairment |                         |                         | impairment |                         |
|--|-------------------------|------------|-------------------------|-------------------------|------------|-------------------------|
| Technical renovation project of brewing of Luzhou Laojiao                              | 968,634,809.01          |            | 968,634,809.01          | 6,072,403,009.71        |            | 6,072,403,009.71        |
| Improvement and technical renovation project of Luzhou Laojiao production supporting   | 242,719,982.63          |            | 242,719,982.63          | 11,346,483.95           |            | 11,346,483.95           |
| Marketing network command center office area reconstruction and expansion project      | 5,473,631.57            |            | 5,473,631.57            | 220,539,935.89          |            | 220,539,935.89          |
| New model application project of intelligent production workshop of solid state liquor | 16,862,599.30           |            | 16,862,599.30           | 189,417,456.65          |            | 189,417,456.65          |
| Technical renovation of Luzhou Laojiao Intelligent packaging center                    | 206,167,904.88          |            | 206,167,904.88          | 8,079,135.92            |            | 8,079,135.92            |
| Guojiao Culture Park Qiankun Wine Castle Cultural Tourism project                      | 305,548,667.25          |            | 305,548,667.25          | 229,262,370.65          |            | 229,262,370.65          |
| Other projects   | 266,722,285.51          |            | 266,722,285.51          | 526,344,694.79          |            | 526,344,694.79          |
| <b>Total</b>   | <b>2,012,129,880.15</b> |            | <b>2,012,129,880.15</b> | <b>7,257,393,087.56</b> |            | <b>7,257,393,087.56</b> |

Note: 1. The closing balance decreased CNY 5,245,263,207.41 compared with the opening balance, with a decrease by 72.27%, because of the gradual transfer of the technical renovation project of brewing to fixed assets.

### 7.11.2. Significant changes in construction in progress

Monetary Unit: CNY

| Item   | Budget           | Opening Balance  | Increase in current period | Transfer into fixed assets | Other decreases  | Closing Balance | Proportion of accumulative project input in budget | Progress (%) | Accumulative capitalized interest | Including: Capitalized interest for the period | Capitalization rate for the period (%) | Source of funds                |
|--|------------------|------------------|----------------------------|----------------------------|------------------|-----------------|--|--------------|-----------------------------------|--|--|--------------------------------|
| Technical renovation project of brewing of Luzhou Laojiao                            | 8,877,276,500.00 | 6,072,403,009.71 | 1,359,720,629.11           | 4,629,060,206.07           | 1,834,428,623.74 | 968,634,809.01  | 86.99%   | 96.00%       | 87,113,979.62                     | 75,298,862.12                                  | 3.67%                                  | Capital raised and self-raised |
| Improvement and technical renovation project of Luzhou Laojiao production supporting | 888,544,100.00   | 11,346,483.95    | 231,373,498.68             |                            |                  | 242,719,982.63  | 27.32%   | 35.00%       |                                   |  |  | Other                          |
| Marketing network  | 271,500,000.00   | 220,539,935.89   | 21,800,049.75              | 235,057,951.29             | 1,808,402.78     | 5,473,631.57    | 89.26%   | 99.00%       |                                   |  |  | Other                          |



|  |                          |                    |                    |                    |                |                    |        |        |  |  |  |       |
|--|--------------------------|--------------------|--------------------|--------------------|----------------|--------------------|--------|--------|--|--|--|-------|
| nd<br>center<br>office<br>area<br>reconstr<br>uction<br>and<br>expansi<br>on<br>project  |                          |                    |                    |                    |                |                    |        |        |  |  |  |       |
| New<br>model<br>applicati<br>on<br>project<br>of<br>intellige<br>nt<br>producti<br>on<br>worksho<br>p of<br>solid<br>state<br>liquor | 245,100<br>,000.00       | 189,417<br>,456.65 | 45,833,<br>548.29  | 218,175<br>,892.97 | 212,512<br>.67 | 16,862,<br>599.30  | 95.98% | 95.00% |  |  |  | Other |
| Technic<br>al<br>renovati<br>on of<br>Luzhou<br>Laojiao<br>Intellige<br>nt<br>packagi<br>ng<br>center                                | 1,577,9<br>13,400.<br>00 | 8,079,1<br>35.92   | 198,088<br>,768.96 |                    |                | 206,167<br>,904.88 | 13.07% | 25.00% |  |  |  | Other |
| Guojiao<br>Culture<br>Park<br>Qiankun<br>Wine<br>Castle<br>Cultural  | 337,885<br>,813.44       | 229,262<br>,370.65 | 76,286,<br>296.60  |                    |                | 305,548<br>,667.25 | 90.43% | 83.00% |  |  |  | Other |

|                 |                   |                  |                  |                  |                               |                  |    |    |               |               |       |    |
|-----------------|-------------------|------------------|------------------|------------------|-------------------------------|------------------|----|----|---------------|---------------|-------|----|
| Tourism project |                   |                  |                  |                  |                               |                  |    |    |               |               |       |    |
| Total           | 12,198,219,813.44 | 6,731,048,392.77 | 1,933,102,791.39 | 5,082,294,050.33 | 1,836,449,539.19 <sup>1</sup> | 1,745,407,594.64 | -- | -- | 87,113,979.62 | 75,298,862.12 | 3.67% | -- |

Note: 1. Other decreases refer to land use rights and low priced and easily worn articles transferred to intangible assets.

## 7.12. Intangible assets

### 7.12.1. Details of intangible assets

Monetary Unit: CNY

| Item  | Land use right   | Patent right | No-patent right technology | Computer software | Trademark right | Total            |
|---|------------------|--------------|----------------------------|-------------------|-----------------|------------------|
| I. Original cost                              |                  |              |                            |                   |                 |                  |
| 1. Opening Balance                            | 403,541,637.89   | 1,700,050.44 |                            | 40,655,564.69     | 1,890,746.08    | 447,787,999.10   |
| 2. Increase in current period                 | 2,339,890,616.45 |              |                            | 7,552,359.89      |                 | 2,347,442,976.34 |
| (1) Acquired                                  | 111,912,710.15   |              |                            | 786,123.87        |                 | 112,698,834.02   |
| (2) Internal developed                        |                  |              |                            |                   |                 |                  |
| (3) Business combination                      |                  |              |                            |                   |                 |                  |
| (4) Transferred from construction in progress | 2,227,977,906.30 |              |                            | 5,615,227.61      |                 | 2,233,593,133.91 |
| (5) Transferred from fixed assets             |                  |              |                            | 1,151,008.41      |                 | 1,151,008.41     |
| 3. Decrease in current period                 |                  |              |                            | 141,509.44        |                 | 141,509.44       |
| (1) Disposal                                  |                  |              |                            |                   |                 |                  |
| (2) Transferred to fixed assets               |                  |              |                            | 141,509.44        |                 | 141,509.44       |
| 4. Closing Balance                            | 2,743,432,254.34 | 1,700,050.44 |                            | 48,066,415.14     | 1,890,746.08    | 2,795,089,466.00 |
| II. Accumulated                               |                  |              |                            |                   |                 |                  |

|                                   |                  |              |  |               |              |                               |
|-----------------------------------|------------------|--------------|--|---------------|--------------|-------------------------------|
| amortization                      |                  |              |  |               |              |                               |
| 1. Opening Balance                | 92,646,292.87    | 440,593.96   |  | 20,838,355.97 | 1,628,723.83 | 115,553,966.63                |
| 2. Increase in current period     | 18,062,126.91    | 130,005.04   |  | 4,184,654.05  | 86,678.56    | 22,463,464.56                 |
| (1) Provision                     | 18,062,126.91    | 130,005.04   |  | 3,277,481.01  | 86,678.56    | 21,556,291.52                 |
| (2) Transferred from fixed assets |                  |              |  | 907,173.04    |              | 907,173.04                    |
| 3. Decrease in current period     |                  |              |  | 45,990.56     |              | 45,990.56                     |
| (1) Disposal                      |                  |              |  |               |              |                               |
| (2) Transferred to fixed assets   |                  |              |  | 45,990.56     |              | 45,990.56                     |
| 4. Closing Balance                | 110,708,419.78   | 570,599.00   |  | 24,977,019.46 | 1,715,402.39 | 137,971,440.63                |
| III. Provision for impairment     |                  |              |  |               |              |                               |
| 1. Opening Balance                |                  |              |  |               |              |                               |
| 2. Increase in current period     |                  |              |  |               |              |                               |
| (1) Provision                     |                  |              |  |               |              |                               |
|                                   |                  |              |  |               |              |                               |
| 3. Decrease in current period     |                  |              |  |               |              |                               |
| (1) Disposal                      |                  |              |  |               |              |                               |
|                                   |                  |              |  |               |              |                               |
| 4. Closing Balance                |                  |              |  |               |              |                               |
| IV. Book Value                    |                  |              |  |               |              |                               |
| 1. Closing Book Value             | 2,632,723,834.56 | 1,129,451.44 |  | 23,089,395.68 | 175,343.69   | 2,657,118,025.37 <sup>1</sup> |
| 2. Opening Book Value             | 310,895,345.02   | 1,259,456.48 |  | 19,817,208.72 | 262,022.25   | 332,234,032.47                |

Note: 1. The closing balance increased CNY 2,324,883,992.90 compared with the opening balance, with an increase by 699.77%, primarily driven by the impact of increase in land value with CNY 2,339,890,616.45 in the current period.

There is no proportion of intangible assets formed by internal development to the balance of intangible assets at the period-end.

### 7.13. Long-term deferred expense

Monetary Unit: CNY

| Item                                       | Opening Balance   | Increase            | Amortization      | Other decrease | Closing Balance     |
|--|-------------------|---------------------|-------------------|----------------|---------------------|
| Improvement expense of rented fixed assets | 928,805.23        | 2,048,427.67        | 671,330.69        |                | 2,305,902.21        |
| <b>Total</b>                               | <b>928,805.23</b> | <b>2,048,427.67</b> | <b>671,330.69</b> |                | <b>2,305,902.21</b> |

### 7.14. Deferred tax assets/ deferred tax liabilities

#### 7.14.1. Deferred tax assets before offset

Monetary Unit: CNY

| Item   | Closing Balance                  |                       | Opening Balance                  |                       |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------|
|  | Deductible temporary differences | Deferred tax assets   | Deductible temporary differences | Deferred tax assets   |
| Provision for asset impairment                                       | 208,184,340.96                   | 52,032,763.16         | 208,551,338.49                   | 52,073,505.61         |
| Unrealized profits from internal transactions                        | 2,210,592,352.66                 | 552,648,088.16        | 2,194,391,801.31                 | 548,597,950.33        |
| Deductible losses  | 11,342,715.00                    | 2,835,678.76          | 4,745,206.42                     | 1,186,301.61          |
| Impact from salary   | 441,020,431.90                   | 108,714,676.83        | 269,597,906.46                   | 66,865,466.60         |
| Impact from deferred earnings  | 29,739,000.00                    | 7,434,750.00          | 23,845,000.00                    | 5,961,250.00          |
| Impact from fixed assets depreciation                                | 260,745.17                       | 43,022.95             | 277,518.07                       | 45,790.48             |
| Impact from fair value changes of other equity instrument investment | 6,006,723.91                     | 1,501,680.98          | 5,689,397.78                     | 1,422,349.44          |
| <b>Total</b>   | <b>2,907,146,309.60</b>          | <b>725,210,660.84</b> | <b>2,707,098,168.53</b>          | <b>676,152,614.07</b> |

#### 7.14.2. Deferred tax liabilities before offset

Monetary Unit: CNY

| Item | Closing Balance | Opening Balance |
|------|-----------------|-----------------|
|------|-----------------|-----------------|

|  | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
| Fair value changes of other equity instrument investment | 248,604,284.33                | 62,151,071.11            | 253,721,814.56                | 63,430,453.64            |
| Total  | 248,604,284.33                | 62,151,071.11            | 253,721,814.56                | 63,430,453.64            |

### 7.14.3. Details of unrecognized deferred tax assets

Monetary Unit: CNY

| Item   | Closing Balance | Opening Balance |
|--|-----------------|-----------------|
| Deductible losses  | 123,969,302.33  | 16,684,718.93   |
| Impact from employee benefits payable                                | 74,816.40       | 3,997,637.66    |
| Impact from provision for impairment of assets                       |                 | 8,007.14        |
| Impact from fair value changes of other equity instrument investment |                 | 200,000.00      |
| Total  | 124,044,118.73  | 20,890,363.73   |

### 7.14.4. Deductible losses from unrecognized deferred tax assets will due on the following years

Monetary Unit: CNY

| Year  | Closing Amount | Opening Amount | Notes |
|-------|----------------|----------------|-------|
| 2020  |                | 1,320,354.35   |       |
| 2021  |                | 2,942,475.67   |       |
| 2022  |                | 668,388.33     |       |
| 2023  | 535,737.90     | 760,000.23     |       |
| 2024  | 11,691,604.41  | 10,993,500.35  |       |
| 2025  | 111,741,960.02 |                |       |
| Total | 123,969,302.33 | 16,684,718.93  | --    |

### 7.15. Other non-current assets

Monetary Unit: CNY

| Item                               | Closing Balance |                          |             | Opening Balance |                          |             |
|------------------------------------|-----------------|--------------------------|-------------|-----------------|--------------------------|-------------|
|                                    | Book balance    | Provision for impairment | Book value  | Book balance    | Provision for impairment | Book value  |
| Prepaid equipment and land expense | 10,806,325.     |                          | 10,806,325. | 237,539,447     |                          | 237,539,447 |

|       |             |  |             |             |  |             |
|-------|-------------|--|-------------|-------------|--|-------------|
|       | 86          |  | 86          | .75         |  | .75         |
| Total | 10,806,325. |  | 10,806,325. | 237,539,447 |  | 237,539,447 |
|       | 86          |  | 86          | .75         |  | .75         |

Other statements:

The closing balance decreased CNY 226,733,121.89 compared with the opening balance, with a decrease by 95.45%, mainly due to the impact of decrease in the new prepayment on construction and payment on land in the current period in the Brewing Company, a Company's subsidiary.

## 7.16. Notes payable

Monetary Unit: CNY

| Category             | Closing Balance | Opening Balance |
|----------------------|-----------------|-----------------|
| Bank acceptance bill | 121,285,117.60  |                 |
| Total                | 121,285,117.60  |                 |

The total amount of notes payable due but unpaid was CNY 0.00.

## 7.17. Accounts payable

### 7.17.1. Presentation of accounts payable

Monetary Unit: CNY

| Category                      | Closing Balance               | Opening Balance  |
|-------------------------------|-------------------------------|------------------|
| Materials and service expense | 845,025,160.84                | 656,206,916.53   |
| Engineering equipment expense | 1,759,264,038.93              | 1,212,417,041.49 |
| Total                         | 2,604,289,199.77 <sup>1</sup> | 1,868,623,958.02 |

Note: 1. The closing balance increased CNY 735,665,241.75 compared with the opening balance, with an increase by 39.37%, mainly due to the successive investment in brewing technical renovation project and the increase in engineering equipment expense payable.

## 7.18. Contract liabilities

Monetary Unit: CNY

| Category      | Closing Balance               | Opening Balance  |
|---------------|-------------------------------|------------------|
| Within 1 year | 1,637,685,488.79              | 1,937,676,495.80 |
| 1-2 years     | 15,504,524.56                 | 18,409,619.38    |
| 2-3 years     | 14,385,601.53                 | 12,527,258.74    |
| Over 3 years  | 11,261,552.06                 | 17,619,054.08    |
| Total         | 1,678,837,166.94 <sup>1</sup> | 1,986,232,428.00 |

Note: 1. In accordance with the requirements of the new revenue standards, the tax-free "Advance from

customer " was changed to "contractual liabilities"; the value-added tax and output tax included in the "Advance from customer" were changed to "other current liabilities". 2. There is no change in the book value of contract liabilities during the current period.

## 7.19. Employee benefits payable

### 7.19.1. Employee benefits payable shown as follows

Monetary Unit: CNY

| Item  | Opening Balance | Increase in current period | Decrease in current period | Closing Balance             |
|---|-----------------|----------------------------|----------------------------|-----------------------------|
| 1. Short-term benefits                                  | 287,224,789.36  | 862,764,220.20             | 710,732,075.20             | 439,256,934.36              |
| 2. Post-employment benefits- defined contribution plans | 54,791,926.60   | 81,938,387.10              | 70,973,592.40              | 65,756,721.30               |
| 3. Termination benefits                                 | 8,971.53        |                            |                            | 8,971.53                    |
| Total   | 342,025,687.49  | 944,702,607.30             | 781,705,667.60             | 505,022,627.19 <sup>1</sup> |

Note: 1. The closing balance increased CNY 162,996,939.70 compared with the opening balance, with an increase by 47.66%, mainly due to the performance growth, increase in employee benefits and the impact of unpaid performance salary including year-end bonus.

### 7.19.2. Short-term employee benefits payable shown as follows

Monetary Unit: CNY

| Item                                     | Opening Balance | Increase in current period | Decrease in current period | Closing Balance |
|--|-----------------|----------------------------|----------------------------|-----------------|
| 1. Wages, bonuses, allowances and grants | 199,313,121.72  | 729,453,573.08             | 566,476,766.62             | 362,289,928.18  |
| 2. Employees' welfare                    |                 | 28,526,744.21              | 28,526,744.21              |                 |
| 3. Social insurance premiums             | 19,481,524.27   | 25,107,629.83              | 29,338,817.87              | 15,250,336.23   |
| Including: Medical insurance premium     | 14,322,591.60   | 22,324,674.65              | 25,218,437.76              | 11,428,828.49   |
| Work-related injury insurance            | 2,307,307.70    | 897,677.15                 | 1,169,114.55               | 2,035,870.30    |
| Maternity insurance premium              | 2,851,624.97    | 1,863,358.03               | 2,930,025.56               | 1,784,957.44    |
| Other insurance premium                  |                 | 21,920.00                  | 21,240.00                  | 680.00          |
| 4. Housing funds                         | 7,643,514.06    | 59,235,793.41              | 62,374,658.88              | 4,504,648.59    |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| 5. Labor union expenditures and employee education funds | 60,786,629.31  | 20,440,479.67  | 24,015,087.62  | 57,212,021.36  |
| Total  | 287,224,789.36 | 862,764,220.20 | 710,732,075.20 | 439,256,934.36 |

### 7.19.3. Defined contribution plan shown as follows

Monetary Unit: CNY

| Item                                 | Opening Balance | Increase in current period | Decrease in current period | Closing Balance |
|--------------------------------------|-----------------|----------------------------|----------------------------|-----------------|
| 1. Basic endowment insurance premium | 40,648,126.70   | 42,120,374.45              | 37,903,552.94              | 44,864,948.21   |
| 2. Unemployment insurance premium    | 7,696,125.09    | 958,664.44                 | 1,266,687.27               | 7,388,102.26    |
| 3. Enterprise annuity                | 6,447,674.81    | 38,859,348.21              | 31,803,352.19              | 13,503,670.83   |
| Total                                | 54,791,926.60   | 81,938,387.10              | 70,973,592.40              | 65,756,721.30   |

### 7.20. Taxes payable

Monetary Unit: CNY

| Item                                   | Closing Balance  | Opening Balance  |
|--|------------------|------------------|
| Value-added tax                        | 244,763,614.30   | 130,301,346.24   |
| Consumption tax                        | 1,059,445,349.23 | 706,805,251.73   |
| Enterprise income tax                  | 606,140,406.79   | 663,458,294.52   |
| Individual income tax                  | 5,265,751.31     | 24,337,261.47    |
| Urban maintenance and construction tax | 72,389,068.64    | 56,353,741.57    |
| Education surcharge                    | 31,023,067.68    | 24,151,666.39    |
| Local education surcharge              | 20,682,045.08    | 16,101,110.87    |
| Property tax                           | 337,763.14       | 1,017,585.02     |
| Stamp duty                             | 5,351,912.65     | 438,646.53       |
| Land use tax                           | 616,030.55       | 9,891,132.70     |
| Others                                 | 12,201.76        | 188,194.63       |
| Total                                  | 2,046,027,211.13 | 1,633,044,231.67 |

### 7.21. Other payables

Monetary Unit: CNY



| Item             | Closing Balance | Opening Balance |
|------------------|-----------------|-----------------|
| Interest payable |                 | 30,650,684.93   |
| Other payables   | 501,623,924.54  | 668,291,714.44  |
| Total            | 501,623,924.54  | 698,942,399.37  |

### 7.21.1. Interest payable

Monetary Unit: CNY

| Item                        | Closing Balance | Opening Balance |
|-----------------------------|-----------------|-----------------|
| Interest of corporate bonds |                 | 30,650,684.93   |
| Total                       |                 | 30,650,684.93   |

### 7.21.2. Other payables

#### 7.21.2.1. Categories by nature

Monetary Unit: CNY

| Item              | Closing Balance | Opening Balance |
|-------------------|-----------------|-----------------|
| Security deposit  | 485,228,527.19  | 637,133,029.48  |
| Intercourse funds | 8,599,977.98    | 5,009,860.11    |
| Others            | 7,795,419.37    | 26,148,824.85   |
| Total             | 501,623,924.54  | 668,291,714.44  |

### 7.22. Non-current liabilities due within one year

Monetary Unit: CNY

| Item                              | Closing Balance | Opening Balance |
|-----------------------------------|-----------------|-----------------|
| Bonds payable due within one year | 72,219,178.08   |                 |
| Total                             | 72,219,178.08   |                 |

### 7.23. Other current liabilities

Monetary Unit: CNY

| Item                         | Closing Balance | Opening Balance |
|------------------------------|-----------------|-----------------|
| Output VAT to be transferred | 218,267,353.36  | 258,210,215.64  |
| Total                        | 218,267,353.36  | 258,210,215.64  |

## 7.24. Bonds payable

### 7.24.1. Bonds payable

Monetary Unit: CNY

| Item                              | Closing Balance  | Opening Balance  |
|-----------------------------------|------------------|------------------|
| Corporate bonds in 2019 (Phase I) | 2,492,799,107.31 | 2,490,883,676.39 |
| Corporate bonds in 2020 (Phase I) | 1,495,072,992.71 |                  |
| Total                             | 3,987,872,100.02 | 2,490,883,676.39 |

### 7.24.2. Increase/decrease of bonds payable (excluding other financial instrument classified as financial liabilities such as preferred shares and perpetual bonds)

Monetary Unit: CNY

| Bond name                         | Par value        | Issuing date   | Duration | Issuing amount   | Opening Balance  | Issued in the current period | Withdrawal of interest by par value | Amortization of premium and depreciation | Repayment in the reporting period | Closing Balance               |
|-----------------------------------|------------------|----------------|----------|------------------|------------------|------------------------------|-------------------------------------|--|-----------------------------------|-------------------------------|
| Corporate bonds in 2019 (Phase I) | 2,500,000,000.00 | 27 August 2019 | 3+2      | 2,490,000,000.00 | 2,490,883,676.39 |                              | 89,500,000.00                       | 1,915,430.92                             |                                   | 2,492,799,107.31              |
| Corporate bonds in 2020 (Phase I) | 1,500,000,000.00 | 16 March 2020  | 5        | 1,494,000,000.00 |                  | 1,494,000,000.00             | 41,568,493.15                       | 1,072,992.71                             |                                   | 1,495,072,992.71              |
| Total                             | --               | --             | --       | 3,984,000,000.00 | 2,490,883,676.39 | 1,494,000,000.00             | 131,068,493.15                      | 2,988,423.63                             |                                   | 3,987,872,100.02 <sup>1</sup> |

Note: 1. On 18 July 2019, the Company obtained approval from CSRC with the document “ZJXK [2019] No. 1312” for public issue of corporate bonds capped at CNY 4 billion (inclusive of CNY 4 billion) to eligible investors (hereinafter referred to as “the bonds”). The bonds would be issued in phases without guarantee. The Company’s public issue of corporate bonds (Phase I) to eligible investors in 2019 (Short name was “19 Laojiao 01” and the code was “112959”) started on 27 August 2019 and ended on 28 August 2019; the final amount actually issued was CNY 2.5 billion and the final stated interest rate was 3.58%. The term of the bonds is five years. Meanwhile, the Company’s public issue of corporate bonds to eligible investor in 2020 (Phase I) (short name was “20 Laojiao 01” and the code was “149062”) started on 16 March 2020 and ended on 17 March 2020, of which the final amount actually issued was CNY 1.5 billion and the final stated interest rate was 3.50% with the term of five years.

## 7.25. Deferred income

Monetary Unit: CNY

| Item              | Opening Balance | Increase in current period | Decrease in current period | Closing Balance | Reason                            |
|-------------------|-----------------|----------------------------|----------------------------|-----------------|-----------------------------------|
| Government grants | 23,845,000.00   | 6,870,000.00               | 976,000.00                 | 29,739,000.00   | Reception of financial allocation |
| Total             | 23,845,000.00   | 6,870,000.00               | 976,000.00                 | 29,739,000.00   | --                                |

Details:

Monetary Unit: CNY

| Liability Item  | Opening Balance | Increase in current period | Non-operating income in current period | Other income in current period | Cost reduction in current period | Other changes | Closing Balance | Related to assets/income |
|---|-----------------|----------------------------|--|--------------------------------|----------------------------------|---------------|-----------------|--------------------------|
| Demonstration and application project of intelligent production line for liquor brewing and qu-making | 2,380,000.00    |                            |  | 476,000.00                     |                                  |               | 1,904,000.00    | Related to assets        |
| New mode application project of digital workshop for solid state liquor production                    | 3,465,000.00    |                            |  |                                |                                  |               | 3,465,000.00    | Related to assets        |
| Construction project of spirit room of Luzhou Laojiao brewing technical renovation                    | 7,000,000.00    |                            |  |                                |                                  |               | 7,000,000.00    | Related to assets        |

|  |               |              |  |            |  |  |               |                   |
|--|---------------|--------------|--|------------|--|--|---------------|-------------------|
| Luzhou Laojiao automatic wine production line technical renovation project               | 500,000.00    |              |  |            |  |  | 500,000.00    | Related to assets |
| Cooling water circulation and waste heat recovery of steamed bran in brewing workshop    | 500,000.00    |              |  | 500,000.00 |  |  |               | Related to assets |
| Construction project of pottery jars room of Luzhou Laojiao brewing technical renovation |               | 3,870,000.00 |  |            |  |  | 3,870,000.00  | Related to assets |
| Boiler reconstruction project of Luohan Brewing Base of Luzhou Laojiao                   |               | 3,000,000.00 |  |            |  |  | 3,000,000.00  | Related to assets |
| Brewing wastewater treatment project   | 10,000,000.00 |              |  |            |  |  | 10,000,000.00 | Related to assets |

## 7.26. Share capital

Monetary Unit: CNY

|                        | Opening Balance  | Increases/decreases in the current period (+, -) |             |  |        |          | Closing Balance  |
|------------------------|------------------|--|-------------|--|--------|----------|------------------|
|                        |                  | Issuance of new shares                           | Bonds share | Conversion of reserves funds into shares | Others | Subtotal |                  |
| Total number of shares | 1,464,752,476.00 |  |             |  |        |          | 1,464,752,476.00 |

## 7.27. Capital reserves

Monetary Unit: CNY

| Item                            | Opening Balance  | Increase in current period | Decrease in current period | Closing Balance  |
|---------------------------------|------------------|----------------------------|----------------------------|------------------|
| Share premium (capital premium) | 3,542,967,507.48 |                            |                            | 3,542,967,507.48 |
| Other capital reserves          | 179,809,555.65   |                            |                            | 179,809,555.65   |
| Total                           | 3,722,777,063.13 |                            |                            | 3,722,777,063.13 |

## 7.28. Other comprehensive income

Monetary Unit: CNY

| Item   | Opening Balance | Current Period                             |  |  |                  |  |  | Closing Balance |
|--|-----------------|--|--|--|------------------|--|--|-----------------|
|  |                 | Amount in current period before income tax | Less: Previously recognized in other comprehensive income transferred to profit and loss | Less: Previously recognized in other comprehensive income transferred to retained earnings | Less: Income tax | Amount attribute to parent company after tax | Amount attribute to non-controlling shareholders after tax |                 |
| I. Other comprehensive income that will not be reclassified into profit and loss | 185,824,312.58  | -3,926,142.29                              |  |  |                  | -3,926,142.29                                |  | 181,898,170.29  |
| Fair value changes of other  | 185,824,312.58  | -3,926,142.29                              |  |  |                  | -3,926,142.29                                |  | 181,898,170.29  |

|  |                |                |  |  |  |               |               |                |
|--|----------------|----------------|--|--|--|---------------|---------------|----------------|
| equity instrument investment   | 2.58           | 2.29           |  |  |  | 2.29          |               | ,170.29        |
| II. Other comprehensive income that will be reclassified into profit and loss                            | 8,992,817.99   | -6,356,093.90  |  |  |  | -4,827,663.25 | -1,528,430.65 | 4,165,154.74   |
| Including: Other comprehensive income that will be reclassified into profit and loss under equity method | 6,159,230.69   | -2,965,293.21  |  |  |  | -2,965,293.21 |               | 3,193,937.48   |
| Difference from conversion of financial statements in foreign currency                                   | 2,833,587.30   | -3,390,800.69  |  |  |  | -1,862,370.04 | -1,528,430.65 | 971,217.26     |
| Total  | 194,817,130.57 | -10,282,236.19 |  |  |  | -8,753,805.54 | -1,528,430.65 | 186,063,325.03 |

## 7.29. Surplus reserves

Monetary Unit: CNY

| Item                       | Opening Balance  | Increase in current period | Decrease in current period | Closing Balance  |
|----------------------------|------------------|----------------------------|----------------------------|------------------|
| Statutory surplus reserves | 1,464,752,476.00 |                            |                            | 1,464,752,476.00 |
| Total                      | 1,464,752,476.00 |                            |                            | 1,464,752,476.00 |

## 7.30. Undistributed profits

Monetary Unit: CNY

| Item  | Current Period    | Previous Period   |
|---|-------------------|-------------------|
| Undistributed profit before adjustment at the end of the last year                                  | 12,559,746,579.91 | 10,181,899,224.84 |
| Total adjustment for undistributed profit at the beginning of year (+ for increase, - for decrease) |                   | 6,224,835.84      |
| Undistributed profit after adjustment at the beginning of year                                      | 12,559,746,579.91 | 10,188,124,060.68 |
| Plus: Net profit attributable to owners of the parent company for the current period                | 6,005,723,069.36  | 4,641,988,857.03  |
| Ordinary share dividends payable  | 2,328,956,436.84  | 2,270,366,337.80  |
| Undistributed profits at the end of the period  | 16,236,513,212.43 | 12,559,746,579.91 |

### 7.31. Operating revenue and cost of sales

Monetary Unit: CNY

| Item             | Current Period    |                  | Previous Period   |                  |
|------------------|-------------------|------------------|-------------------|------------------|
|                  | Revenue           | Cost of sales    | Revenue           | Cost of sales    |
| Primary business | 16,447,960,569.22 | 2,711,434,006.97 | 15,615,719,102.43 | 2,974,484,362.13 |
| Other business   | 204,893,980.58    | 112,050,551.09   | 201,215,170.43    | 90,933,686.25    |
| Total            | 16,652,854,549.80 | 2,823,484,558.06 | 15,816,934,272.86 | 3,065,418,048.38 |

Whether the lower of the net profit before and after deduction of non-recurring gains and losses through audit is negative

Yes  No

Details:

Monetary Unit: CNY

| Contract category            | Liquor sales      | Total             |
|------------------------------|-------------------|-------------------|
| Commodity type               | 16,447,960,569.22 | 16,447,960,569.22 |
| Including:                   |                   |                   |
| Medium and high grade liquor | 14,236,990,348.38 | 14,236,990,348.38 |
| Other liquor                 | 2,210,970,220.84  | 2,210,970,220.84  |
| By operating segment         | 16,447,960,569.22 | 16,447,960,569.22 |
| Including:                   |                   |                   |
| Domestic                     | 16,399,797,552.19 | 16,399,797,552.19 |
| Outbound                     | 48,163,017.03     | 48,163,017.03     |
| Including:                   |                   |                   |
| Contract type                | 16,447,960,569.22 | 16,447,960,569.22 |
| Including:                   |                   |                   |
| Commodity sales contract     | 16,447,960,569.22 | 16,447,960,569.22 |
| Including:                   |                   |                   |
| Including:                   |                   |                   |
| Including:                   |                   |                   |

Details about performance obligations:

N/A

**7.32. Business taxes and surcharges**

Monetary Unit: CNY

| Item                                   | Current Period          | Previous Period         |
|--|-------------------------|-------------------------|
| Consumption tax                        | 1,789,225,806.16        | 1,614,253,353.53        |
| Urban maintenance and construction tax | 219,027,065.80          | 194,163,333.35          |
| Educational surcharge                  | 93,865,221.95           | 83,212,857.10           |
| Property tax                           | 12,002,201.20           | 10,863,342.07           |
| Land use tax                           | 29,309,222.09           | 8,802,817.64            |
| Stamp duty                             | 17,510,277.63           | 7,717,838.58            |
| Local education surcharge              | 62,576,814.64           | 55,475,238.14           |
| Others                                 | 55,347.36               | 1,369,864.82            |
| <b>Total</b>                           | <b>2,223,571,956.83</b> | <b>1,975,858,645.23</b> |

**7.33. Selling and distribution expenses**

Monetary Unit: CNY

| Item                          | Current Period          | Previous Period         |
|-------------------------------|-------------------------|-------------------------|
| Advertising promotion expense | 1,316,519,804.16        | 1,403,889,542.35        |
| Promotion expense             | 1,074,611,735.49        | 1,859,984,308.36        |
| Employee compensation         | 324,598,768.07          | 289,156,593.78          |
| Storage and logistics costs   | 92,177,677.09           | 267,723,621.05          |
| Others                        | 282,747,847.44          | 365,348,088.05          |
| <b>Total</b>                  | <b>3,090,655,832.25</b> | <b>4,186,102,153.59</b> |

**7.34. General and administrative expenses**

Monetary Unit: CNY

| Item                               | Current Period        | Previous Period       |
|------------------------------------|-----------------------|-----------------------|
| Employee compensation              | 407,645,132.83        | 416,563,694.87        |
| Depreciation and amortization      | 106,498,999.53        | 123,738,753.48        |
| Management fee and service expense | 68,388,629.63         | 70,060,721.26         |
| Others                             | 261,921,705.48        | 218,581,855.31        |
| <b>Total</b>                       | <b>844,454,467.47</b> | <b>828,945,024.92</b> |



**7.35. Research and development expenses**

Monetary Unit: CNY

| Item  | Current Period       | Previous Period      |
|---|----------------------|----------------------|
| Comprehensive research and development expenses | 85,858,119.80        | 71,643,099.77        |
| <b>Total</b>                                    | <b>85,858,119.80</b> | <b>71,643,099.77</b> |

**7.36. Financial expenses**

Monetary Unit: CNY

| Item                          | Current Period         | Previous Period        |
|-------------------------------|------------------------|------------------------|
| Interest expenses             | 190,368,213.56         | 139,603,113.82         |
| Less: Interest income         | 333,430,076.04         | 344,656,931.22         |
| Losses from currency exchange | 8,940,312.77           | -1,922,431.98          |
| Handling charges              | 1,676,346.97           | 1,891,755.69           |
| <b>Total</b>                  | <b>-132,445,202.74</b> | <b>-205,084,493.69</b> |

Other statements:

Note: The current period increased CNY 72,639,290.95 compared with previous period with an increase by 35.42%, mainly due to increase in interest expenses of bonds.

**7.37. Other income**

Monetary Unit: CNY

| Item  | Current Period       | Previous Period      |
|---|----------------------|----------------------|
| Government grants                               | 31,409,825.37        | 43,319,756.65        |
| Individual income tax commission refund         | 635,628.11           | 649,545.42           |
| <b>Total</b>                                    | <b>32,045,453.48</b> | <b>43,969,302.07</b> |
| Including: details of government grants         |                      |                      |
| Projects  |                      |                      |
| Transfer from deferred income-related to assets | 976,000.00           | 13,536,155.00        |
| Transfer from deferred income-related to income |                      | 620,000.00           |
| Special subsidy project of the liquor industry  |                      | 2,550,000.00         |
| Subsidy project of liquor industry              | 13,967,500.00        | 2,354,700.00         |

|  |               |               |
|--|---------------|---------------|
| development  |               |               |
| Fund project of supporting industry development  |               | 1,591,974.15  |
| Subsidy fund project of changing power grids for coal-to-electricity   |               | 2,400,000.00  |
| Special fund for central foreign economic and trade development  | 2,000,000.00  | 1,833,500.00  |
| Demonstration project of brewing waste and thermochemical soil improvement materials coupled with green planting   | 800,100.00    | 1,211,000.00  |
| Demonstration project for the reduction of hazardous substances in the production process of "multi-microorganism-co-fermentation" of solid-state fermentation alcoholic beverages and its application |               | 2,143,000.00  |
| Provincial industrial development fund   | 790,000.00    | 1,000,000.00  |
| Development project of the key technology and equipment of liquor intelligent packaging line   |               | 1,000,000.00  |
| Fund project of supporting liquor industry market expansion  |               | 876,000.00    |
| Project of a complete set of intelligent equipment system for energy and resource utilization of brewing waste   |               | 848,200.00    |
| Special fund project of Luzhou Environmental Protection Agency   |               | 600,000.00    |
| 2017 Fund project of central foreign economic and trade development  |               | 500,000.00    |
| Project of key technology research and integration based on the transformation and upgrading of the liquor industry  |               | 500,000.00    |
| Project of analysis of characteristic flavor conductors of Luzhou-flavor liquor cellar pool and construction of raw liquor grade confirmation system   |               | 500,000.00    |
| Other projects-related to income   | 12,876,225.37 | 9,255,227.50  |
| Subtotal   | 31,409,825.37 | 43,319,756.65 |

### 7.38. Investment income

Monetary Unit: CNY

| Item   | Current Period                    | Previous Period       |
|--|-----------------------------------|-----------------------|
| Investment income from long-term equity investments under the equity method            | 192,119,093.92                    | 145,963,325.70        |
| Dividend income gained during the period of holding other equity instrument investment | 9,379,824.36                      | 8,748,669.71          |
| <b>Total</b>   | <b>201,498,918.28<sup>1</sup></b> | <b>154,711,995.41</b> |

Note: 1. The current period increased CNY 46,786,922.87 compared with previous period with an increase by 30.24%, mainly due to the impact of performance growth of the invested unit Huaxi Securities in the current period.

Other statements:

Note 2: There is no major restriction on the repatriation of the Company's investment income.

Including: investment income from long-term equity investments under the equity method:

| Item  | Current Period        | Previous Period       |
|---|-----------------------|-----------------------|
| Huaxi Securities Co.,Ltd.   | 197,511,851.10        | 148,787,121.31        |
| Sichuan Development Wine Investment Co., Ltd.                             | -6,128,272.50         | -2,823,795.61         |
| Sichuan Tongniang Liquor Industry Technology Research Institute Co., Ltd. | 9,898.80              |                       |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.                 | 725,616.52            |                       |
| <b>Subtotal</b>   | <b>192,119,093.92</b> | <b>145,963,325.70</b> |

Including: dividend income gained during the period of holding other equity instrument investment:

| Item                               | Current Period      | Previous Period     |
|------------------------------------|---------------------|---------------------|
| North Chemical Industries Co.,Ltd. | 85,995.53           | 85,995.53           |
| Luzhou Bank Co., Ltd.              | 4,700,800.00        | 5,424,000.00        |
| Guotai Junan Securities Co.,Ltd.   | 4,593,028.83        | 3,238,674.18        |
| <b>Subtotal</b>                    | <b>9,379,824.36</b> | <b>8,748,669.71</b> |

### 7.39. Credit impairment loss

Monetary Unit: CNY

| Item                                 | Current Period | Previous Period |
|--------------------------------------|----------------|-----------------|
| Bad debt loss of other receivables   | -519,776.25    | -234,313.59     |
| Bad debt loss of accounts receivable | 893,511.05     | -384,021.15     |

|       |            |             |
|-------|------------|-------------|
| Total | 373,734.80 | -618,334.74 |
|-------|------------|-------------|

#### 7.40. Gains from disposal of assets

Monetary Unit: CNY

| Item   | Current Period | Previous Period |
|--|----------------|-----------------|
| Gains from disposal of non-current assets      | 8,123,010.18   | 27,180,182.25   |
| Including: Gains from disposal of fixed assets | 8,123,010.18   | 14,030,349.78   |
| Gains from disposal of intangible assets       |                | 13,149,832.47   |
| Total  | 8,123,010.18   | 27,180,182.25   |

#### 7.41. Non-operating income

Monetary Unit: CNY

| Item   | Current Period | Previous Period | The amount included in the extraordinary gains and losses of the current period |
|--|----------------|-----------------|---|
| Compensation for default                           | 10,199,933.23  | 29,331,754.71   | 10,199,933.23   |
| Gains from damage retirement of non-current assets | 1,537.72       | 84,375.58       | 1,537.72  |
| Others   | 22,444,302.22  | 14,891,627.20   | 22,444,302.22   |
| Total  | 32,645,773.17  | 44,307,757.49   | 32,645,773.17   |

#### 7.42. Non-operating costs

Monetary Unit: CNY

| Item  | Current Period | Previous Period | The amount included in the extraordinary gains and losses of the current period |
|---|----------------|-----------------|---|
| Donation  | 34,512,439.19  | 55,224,710.00   | 34,512,439.19   |
| Losses from damage retirement of non-current assets | 4,038,052.47   | 4,053,075.34    | 4,038,052.47  |
| Others  | 14,384,367.97  | 508,720.12      | 14,384,367.97   |
| Total   | 52,934,859.63  | 59,786,505.46   | 52,934,859.63   |

## 7.43. Income tax expense

### 7.43.1. Statement of income tax expense

Monetary Unit: CNY

| Item                      | Current Period                | Previous Period  |
|---------------------------|-------------------------------|------------------|
| Current period income tax | 2,029,490,921.16              | 1,701,264,224.25 |
| Deferred income tax       | -48,978,715.23                | -239,683,534.98  |
| Total                     | 1,980,512,205.93 <sup>1</sup> | 1,461,580,689.27 |

Note: 1. The current period increased CNY 518,931,516.66 compared with previous period with an increase by 35.50%, mainly due to the increase in profits with the increase in sales revenue of high-end liquor. Details of income tax rates were shown on “6. Taxes”.

### 7.43.2. Adjustment for accounting profit and income tax expense

Monetary Unit: CNY

| Item   | Current Period   |
|--|------------------|
| Total profit   | 7,939,026,848.41 |
| Income tax expenses determined by statutory/applicable tax rate  | 1,984,756,712.10 |
| Impact from subsidiaries' different tax rates  | 839,465.76       |
| Impact from adjust for impact from income tax expense in previous period                                       | 17,715,208.15    |
| Impact from non-taxable income   | -50,374,729.57   |
| Impact from non-deductible costs, expenses and losses  | 4,296,972.14     |
| Impact from deductible losses of unrecognized deferred income tax at the beginning of the reporting period     | -4,043,136.15    |
| Impact from deductible temporary difference or losses due to unrecognized deferred tax asset in current period | 31,011,029.68    |
| Impact from research and development expense deduction   | -3,689,316.18    |
| Income tax expense   | 1,980,512,205.93 |

## 7.44. Other comprehensive income

Details in Note 5.28. Other comprehensive income.

## 7.45. Notes to the statement of cash flow

### 7.45.1. Cash received from other operation activities

Monetary Unit: CNY

| Item                              | Current Period        | Previous Period       |
|-----------------------------------|-----------------------|-----------------------|
| Government grants                 | 37,303,825.37         | 46,183,601.65         |
| Interest income from bank deposit | 323,791,542.69        | 328,991,131.22        |
| Others                            | 175,611,225.82        | 252,962,046.83        |
| <b>Total</b>                      | <b>536,706,593.88</b> | <b>628,136,779.70</b> |

### 7.45.2. Cash paid for other operating activities

Monetary Unit: CNY

| Item                   | Current Period          | Previous Period         |
|------------------------|-------------------------|-------------------------|
| Cash paid for expenses | 2,830,977,073.82        | 3,270,452,860.33        |
| <b>Total</b>           | <b>2,830,977,073.82</b> | <b>3,270,452,860.33</b> |

## 7.46. Supplementary information to statement of cash flow

### 7.46.1. Supplementary information to statement of cash flow

Monetary Unit: CNY

| Item   | Current Period   | Previous Period  |
|--|------------------|------------------|
| 1. Reconciliation of net profit to cash flow from operating activities:                            | --               | --               |
| Net profit   | 5,958,514,642.48 | 4,642,235,502.41 |
| Plus: Provision for asset impairment   | -373,734.80      | 618,334.74       |
| Depreciation of fixed asset, oil and gas assets and productive biological assets                   | 286,685,687.57   | 156,086,942.79   |
| Depreciation of right-of-use assets  |                  |                  |
| Amortization of intangible assets  | 21,556,291.52    | 11,275,163.47    |
| Amortization of long-term deferred expense   | 671,330.69       | 26,537.29        |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (Gains use "-") | -8,123,010.18    | -27,180,182.25   |
| Losses from retirement of fixed assets (Gains use "-")   | 4,036,514.75     | 3,968,699.76     |

|   |                   |                  |
|---|-------------------|------------------|
| Losses from change in fair value (Gains use "-")                      |                   |                  |
| Financial expenses (Gains use "-")                                    | 67,528,556.11     | 137,680,681.84   |
| Losses on investments (Gains use "-")                                 | -201,498,918.28   | -154,711,995.41  |
| Decrease in deferred income tax assets (Increase uses "-")            | -48,978,715.23    | -239,717,652.83  |
| Increase in deferred income tax liabilities (Decrease uses "-")       |                   |                  |
| Decrease in inventories (Increase use "-")                            | -1,054,428,338.92 | -410,819,342.38  |
| Decrease in operating receivables (Increase use "-")                  | -742,428,686.42   | -21,852,590.05   |
| Increase in operating payables (Decrease use "-")                     | 632,940,832.01    | 744,009,104.48   |
| Others  |                   |                  |
| Net cash flows from operating activities                              | 4,916,102,451.30  | 4,841,619,203.86 |
| 2. Significant investing and financing activities not involving cash: | --                | --               |
| Conversion of debt into capital                                       |                   |                  |
| Convertible corporate bonds due within one year                       |                   |                  |
| Fixed assets under financing lease                                    |                   |                  |
| 3. Net change in cash and cash equivalents:                           | --                | --               |
| Closing balance of cash   | 11,568,195,062.81 | 9,752,266,526.78 |
| Less: Opening balance of cash   | 9,752,266,526.78  | 9,365,986,627.68 |
| Plus: Closing balance of cash equivalents                             |                   |                  |
| Less: Opening balance of cash equivalents                             |                   |                  |
| Net change in cash and cash equivalents                               | 1,815,928,536.03  | 386,279,899.10   |

#### 7.46.2. Composition of cash and cash equivalent

Monetary Unit: CNY

| Item    | Opening Balance   | Closing Balance  |
|---------|-------------------|------------------|
| 1. Cash | 11,568,195,062.81 | 9,752,266,526.78 |

|  |                            |                  |
|--|----------------------------|------------------|
| Including: Cash on hand  | 26,978.10                  | 28,776.67        |
| Unrestricted bank deposit  | 11,561,257,398.27          | 9,744,243,225.66 |
| Other unrestricted cash and cash equivalents   | 6,910,686.44               | 7,994,524.45     |
| 3. Closing balance of cash and cash equivalents  | 11,568,195,062.81          | 9,752,266,526.78 |
| Including: Cash and cash equivalent with restriction to use of parent company and subsidiaries | 56,675,277.79 <sup>1</sup> | 1,400,000.00     |

Note: 1. The difference between the closing balance of cash and cash equivalents and cash at bank and on hand is CNY 56,675,277.79, of which, CNY 1,400,000.00 is a travel service deposit with limited use rights in other cash and cash equivalents and CNY 55,275,277.79 is provision for fixed deposit interest on an accrual basis.

## 7.47. Assets with restricted ownership or use rights

Monetary Unit: CNY

| Item                            | Closing book balance | Reason for restriction  |
|---------------------------------|----------------------|---|
| Bank deposits                   | 55,275,277.79        | provision for fixed deposit interest on an accrual basis  |
| Other cash and cash equivalents | 1,400,000.00         | According to the regulations of tourism bureau, travel service deposit is deposited in a designated bank. |
| Accounts receivable financing   | 147,480,000.00       | Bills pledged used for exchanging large denominations for small denominations                             |
| Total                           | 204,155,277.79       | --  |

## 7.48. Foreign currency transactions

### 7.48.1. Foreign currency transactions

Monetary Unit: CNY

| Item                     | Closing Balance in Foreign Currency | Exchange Rate | Closing Balance in CNY |
|--------------------------|-------------------------------------|---------------|------------------------|
| Cash at Bank and on Hand | --                                  | --            |                        |
| Including: USD           | 31,612,207.96                       | 6.5249        | 206,266,495.72         |
| EUR                      | 29,833.08                           | 8.0250        | 239,410.47             |
| HKD                      | 2,089,147.98                        | 0.84164       | 1,758,310.51           |
| GBP                      | 117,108.11                          | 8.8903        | 1,041,126.23           |



|                     |               |         |               |
|---------------------|---------------|---------|---------------|
| AUD                 | 264.94        | 5.0163  | 1,329.02      |
| CAD                 | 657.71        | 5.1161  | 3,364.91      |
| Accounts Receivable | --            | --      |               |
| Including: USD      | 60,109.30     | 6.5249  | 392,207.17    |
| EUR                 |               |         |               |
| HKD                 | 734,725.71    | 0.84164 | 618,374.55    |
|                     |               |         |               |
| Long-term Loans     | --            | --      |               |
| Including: USD      |               |         |               |
| EUR                 |               |         |               |
| HKD                 |               |         |               |
| Other Receivables   |               |         |               |
| Including: USD      | 2,781.17      | 6.5249  | 18,146.86     |
| HKD                 | 2,184,260.22  | 0.84164 | 1,838,360.77  |
| Accounts Payable    |               |         |               |
| Including: USD      | 133,062.47    | 6.5249  | 868,219.31    |
| HKD                 | 3,112,507.56  | 0.84164 | 2,619,610.86  |
| Other Payables      |               |         |               |
| Including: USD      | 125,200.00    | 6.5249  | 816,917.48    |
| HKD                 | 23,825,459.17 | 0.84164 | 20,052,459.46 |

**7.48.2. Description of the foreign business entity, including the important foreign business entity, shall disclose its main foreign business place, bookkeeping standard currency and selection basis, and shall also disclose the reason for the change of the bookkeeping standard currency**

Applicable  N/A

| Company   | Operation site   | Bookkeeping currency | Choosing Reason                    |
|---|------------------|----------------------|------------------------------------|
| Luzhou Laojiao International Development (Hong Kong) Co., Ltd.  | Hong Kong, China | HKD                  | Currency in the registration place |
| Luzhou Laojiao Commercial Development (North America) Co., Ltd. | USA              | USD                  | Currency in the registration place |
| Mingjiang Co., Ltd.   | USA              | USD                  | Currency in the registration place |

## 7.49. Government grants

### 7.49.1. Details of government grants

Monetary Unit: CNY

| Item              | Amount        | Presentation    | Amount included in profit or loss of the current period |
|-------------------|---------------|-----------------|---|
| Related to assets | 29,739,000.00 | Deferred income | 976,000.00  |
| Related to income | 30,433,825.37 | Other income    | 30,433,825.37   |
| Total             | 60,172,825.37 |                 | 31,409,825.37   |

### 7.49.2. Return of government grants

Applicable  N/A

## 8. Changes in consolidated scope

### 8.1. Business combination not under common control

#### 8.1.1. Business combination not under common control during current period

There is no business combination not under common control during current period.

### 8.2. Business combination under common control

#### 8.2.1. Business combination under common control during current period

There is no business combination under common control during current period.

### 8.3. Reverse purchase

The basic information of the transaction, the basis of the transaction constitutes the reverse purchase, whether the assets and liabilities retained by the listed company constitute the business and its basis, the determination of the merger cost, and the adjustment of the equity amount and its calculation according to the equity transaction:

There is no reverse purchase during current period.

### 8.4. Disposing subsidiaries

Whether there is a situation of losing control after disposing the investment in the subsidiary only once

Yes  No

Whether there is a situation of disposing the investment in the subsidiary through several transactions step by step and losing control during the period

Yes  No

## 8.5. Consolidated scope changes due to other reasons

Explain other reasons for changing consolidated scope (such as establishing a new subsidiary, liquidating a subsidiary) and its related situation.

There is no consolidated scope changes due to other reasons during current period.

## 9. Interests in other entities

### 9.1. Interests in subsidiaries

#### 9.1.1. Group composition

| Name of Subsidiaries   | Major business location | Place of registration | Nature of business                      | Shareholding Proportion |          | Acquisition method                        |
|--|-------------------------|-----------------------|---|-------------------------|----------|---|
|  |                         |                       |   | Direct                  | Indirect |   |
| Luzhou Laojiao Brewing Co., Ltd.                             | Luzhou                  | Luzhou                | Liquor manufacture and sales            | 100.00%                 |          | Investment                                |
| Luzhou Red Sorghum Modern Agricultural Development Co., Ltd. | Luzhou                  | Luzhou                | Agricultural product planting and sales |                         | 60.00%   | Business combination under common control |
| Sales Company of Luzhou Laojiao Co., Ltd.                    | Luzhou                  | Luzhou                | Liquor sales                            | 100.00%                 |          | Investment                                |
| Luzhou Laojiao Nostalgic Liquor Marketing Co., Ltd.          | Luzhou                  | Luzhou                | Liquor sales                            |                         | 100.00%  | Investment                                |
| Luzhou Laojiao Custom Liquor Co., Ltd. Note                  | Luzhou                  | Luzhou                | Liquor sales                            |                         | 15.00%   | Investment                                |
| Luzhou Laojiao Selected Supply Chain Management              | Luzhou                  | Luzhou                | Liquor sales                            |                         | 100.00%  | Investment                                |

|   |         |         |                                    |         |         |            |
|---|---------|---------|------------------------------------|---------|---------|------------|
| Co., Ltd.   |         |         |                                    |         |         |            |
| Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd. | Qinzhou | Qinzhou | Red wine production and sales      |         | 100.00% | Investment |
| Luzhou Dingli Liquor Industry Co., Ltd.                   | Luzhou  | Luzhou  | Liquor sales                       |         | 100.00% | Investment |
| Luzhou Dingyi Liquor Industry Sales Co., Ltd.             | Luzhou  | Luzhou  | Liquor sales                       |         | 100.00% | Investment |
| Luzhou Dinghao Liquor Industry Sales Co., Ltd.            | Luzhou  | Luzhou  | Liquor sales                       |         | 100.00% | Investment |
| Luzhou Laojiao Import and Export Trade Co., Ltd.          | Luzhou  | Luzhou  | Wine import and export trade       |         | 100.00% | Investment |
| Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.   | Luzhou  | Luzhou  | Liquor sales                       |         | 75.00%  | Investment |
| Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.   | Luzhou  | Luzhou  | Liquor sales                       |         | 100.00% | Investment |
| Luzhou Laojiao Fruit Wine Industry Co., Ltd. Note         | Luzhou  | Luzhou  | Fruit wine sales                   |         | 41.00%  | Investment |
| Mingjiang Co., Ltd.                                       | America | America | Liquor sales                       |         | 54.00%  | Investment |
| Luzhou Pinchuang Technology Co., Ltd.                     | Luzhou  | Luzhou  | Technology development and service | 100.00% |         | Investment |
| Luzhou Laojiao Tourism Culture                            | Luzhou  | Luzhou  | Liquor sales, tourism              | 100.00% |         | Investment |

|  |           |           |                      |         |         |            |
|--|-----------|-----------|----------------------|---------|---------|------------|
| Co., Ltd.  |           |           |                      |         |         |            |
| Luzhou Laojiao International Development (Hong Kong) Co., Ltd.       | Hong Kong | Hong Kong | Wine sales           | 55.00%  |         | Investment |
| Luzhou Laojiao Commercial Development (North America) Co., Ltd.      | America   | America   | Business development |         | 100.00% | Investment |
| Luzhou Laojiao Electronic Commerce Co., Ltd.                         | Luzhou    | Luzhou    | Wine sales           | 90.00%  |         | Investment |
| Luzhou Laojiao Whitail Innovated Electronic Commerce Co., Ltd.       | Luzhou    | Luzhou    | Wine sales           |         | 100.00% | Investment |
| Luzhou Laojiao Selected Electronic Commerce Co., Ltd.                | Luzhou    | Luzhou    | Wine sales           |         | 100.00% | Investment |
| Luzhou Laojiao Whitail Liquor Industry Co., Ltd. Note                | Luzhou    | Luzhou    | Wine sales           |         | 35.00%  | Investment |
| Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd. Note          | Chengdu   | Chengdu   | Wine sales           |         | 60.00%  | Investment |
| Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd. Note | Luzhou    | Luzhou    | Wine sales           |         | 70.00%  | Investment |
| Luzhou Baonuo Biotechnology  | Luzhou    | Luzhou    | Fermented product    | 100.00% |         | Investment |

|  |        |        |  |         |         |   |
|--|--------|--------|--|---------|---------|---|
| Co., Ltd.                                      |        |        | manufacture                            |         |         |   |
| Luzhou Laojiao Health Liquor Industry Co.,Ltd. | Luzhou | Luzhou | Health care wine manufacture and sales | 100.00% |         | Business combination under common control |
| Luzhou Laojiao Health Sales Co., Ltd.          | Luzhou | Luzhou | Health care wine sales                 |         | 100.00% | Business combination under common control |

Statement for that the proportion of share-holding is different from the proportion of voting rights:

As the Note 3.6, the Company holds less than 51% shares of Luzhou Laojiao Custom Liquor Co., Ltd., Luzhou Laojiao fruit wine industry Co., Ltd., and Luzhou Laojiao Whitail Liquor Industry Co., Ltd. but in these companies' board, among the five members, the Company has sent three persons, which is in the majority. The Company has substantial control over these companies, so they are included in the consolidation scope.

### 9.1.2. Important non-wholly-owned subsidiaries

Monetary Unit: CNY

| Name of subsidiary                                      | Proportion of share holdings of non-controlling shareholders | Gains and losses attributable to non-controlling shareholders during current period | Dividends paid to non-controlling shareholders during current period | Closing balance of non-controlling shareholders interest |
|---|--|---|--|--|
| Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd. | 25.00%   | -18,711,825.67  |  | 69,632,350.85  |
| Total   |  | -18,711,825.67  |  | 69,632,350.85  |

### 9.1.3. Major financial information of important non-wholly-owned subsidiaries

Monetary Unit: CNY

| Name of subsidiary                  | Closing Balance |                    |                |                     |                         |                   | Opening Balance  |                    |                  |                     |                         |                   |
|-------------------------------------|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
|                                     | Current assets  | Non-current assets | Total assets   | Current liabilities | Non-current liabilities | Total liabilities | Current assets   | Non-current assets | Total assets     | Current liabilities | Non-current liabilities | Total liabilities |
| Luzhou Laojiao Boda Liquor Industry | 767,387,583.35  | 3,501,199.33       | 770,888,782.68 | 492,359,379.30      |                         | 492,359,379.30    | 1,314,554,833.37 | 2,881,595.65       | 1,317,436,429.02 | 964,059,722.96      |                         | 964,059,722.96    |

|                     |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|--|--|--|--|--|--|
| Marketing Co., Ltd. |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|--|--|--|--|--|--|

Monetary Unit: CNY

| Name of subsidiary                                      | Current Period    |                |                            |                     | Previous Period   |               |                            |                     |
|---|-------------------|----------------|----------------------------|---------------------|-------------------|---------------|----------------------------|---------------------|
|   | Operating revenue | Net profit     | Total comprehensive income | Operating cash flow | Operating revenue | Net profit    | Total comprehensive income | Operating cash flow |
| Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd. | 1,724,399,647.44  | -74,847,302.68 | -74,847,302.68             | 118,338,721.44      | 2,787,789,690.74  | 20,226,221.05 | 20,226,221.05              | -335,380,170.98     |

#### 9.1.4. Significant limitations for using group assets and paying off group liabilities

There are no significant limitations for using group assets and paying off group liabilities.

#### 9.1.5. Financial support and other support provided to the structure subjects that are incorporated into the scope of consolidated financial statements

There are no structure subjects that are incorporated into the scope of consolidated financial statements.

Other statements:

### 9.2. Transactions that change owners' equity share of the subsidiary and still control the subsidiary

#### 9.2.1. Statements for the changes of owners' equity share of the subsidiary

N/A

#### 9.2.2. Impact of the transactions on non-controlling interests and equity attributable to owners' of the parent company

N/A

### 9.3. Interests in joint ventures and associates

#### 9.3.1. Important joint ventures and associates

| Name of joint venture/associat | Major business location | Place of registration | Business nature | Shareholding proportion |          | Accounting Method |
|--------------------------------|-------------------------|-----------------------|-----------------|-------------------------|----------|-------------------|
|                                |                         |                       |                 | Direct                  | Indirect |                   |

|                                |                  |                  |            |        |  |               |
|--------------------------------|------------------|------------------|------------|--------|--|---------------|
| es                             |                  |                  |            |        |  |               |
| Important joint ventures: none |                  |                  |            |        |  |               |
| Important associates:          |                  |                  |            |        |  |               |
| Huaxi Securities Co., Ltd.     | Chengdu, Sichuan | Chengdu, Sichuan | Securities | 10.39% |  | Equity method |

Statement for that the proportion of shareholdings in joint ventures or associates is different from the proportion of voting rights:

The basis of holding less than 20% of the voting rights in other entities but having significant influence or holding 20% or more than 20% of the voting rights in other entities but having insignificant influence:

The Company has sent directors to the board of Huaxi Securities and has the corresponding substantive decision-making power, so the Company still has significant influence on Huaxi Securities.

### 9.3.2. Major financial information of important associates

Monetary Unit: CNY

|  | Closing Balance/Amount in current period | Opening Balance/Amount in previous period |
|--|--|---|
| Current assets   | 68,518,467,092.86                        | 57,134,274,353.71                         |
| Non-current assets   | 8,710,176,937.94                         | 10,693,128,565.71                         |
| Total assets   | 77,228,644,030.80                        | 67,827,402,919.42                         |
| Current liabilities  | 42,599,988,723.12                        | 39,721,993,771.95                         |
| Non-current liabilities  | 13,261,547,139.00                        | 8,411,797,290.51                          |
| Total liabilities  | 55,861,535,862.12                        | 48,133,791,062.46                         |
| Non-controlling shareholder interest   | 45,423,771.61                            | 44,225,184.16                             |
| Shareholder interest attributable to parent company                            | 21,321,684,397.07                        | 19,649,386,672.80                         |
| Share of net assets calculated based on shareholding proportion                | 2,216,083,636.60                         | 2,042,272,245.65                          |
| --Others   | 167,466,735.90                           | 167,466,735.90                            |
| Book value of equity investments in associate companies                        | 2,383,550,372.50                         | 2,209,738,981.55                          |
| Fair value of equity investments in associate companies that have public quote | 3,404,932,677.12                         | 3,003,870,895.44                          |
| Operating revenue  | 4,682,755,761.60                         | 3,937,424,572.74                          |



|  |                  |                  |
|--|------------------|------------------|
| Net profit                                   | 1,900,327,802.56 | 1,431,540,167.66 |
| Other comprehensive income                   | -28,530,081.19   | 47,518,149.37    |
| Total comprehensive income                   | 1,871,797,721.37 | 1,479,058,317.03 |
| Dividends from associate companies this year | 20,735,166.94    | 20,735,166.94    |

### 9.3.3. Financial information summarized of unimportant joint ventures and associate companies

Monetary Unit: CNY

|  | Closing Balance/Amount in current period | Opening Balance/Amount in previous period |
|--|--|---|
| Joint ventures:  | --                                       | --  |
| Total following items calculated on the basis of shareholding proportion | --                                       | --  |
| Associate companies:   | --                                       | --  |
| Total book value of investments  | 94,116,798.77                            | 20,982,744.17                             |
| Total following items calculated on the basis of shareholding proportion | --                                       | --  |
| --Net profit   | -16,435,307.24                           | -2,823,795.61                             |
| -- Total comprehensive income  | -16,435,307.24                           | -2,823,795.61                             |

#### Other statements

As the Note 7.8, the Company invested in CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd. in 2020. The Company has 40% of shareholding proportion and voting rights proportion to it with significant influence on it and regards it as an associate company adopting equity method for accounting.

## 10. Risks related to financial instruments

Business activities of a company usually face various financial risks, mainly credit risk, liquidity risk and market risk. The Company's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Company's financial performance.

### 10.1. Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot perform its obligations, causing financial losses to the other party. The Company only trades with recognized, reputable, and large third parties. In accordance with the Company's policy, the terms of sale with customers are based on transactions of payment before delivery, with only a small amount of credit transactions, and credit review for all customers who require credit to trade. In addition, the Company continuously monitors and controls the balance of the receivables to ensure that the Company does not face significant bad debt risks.

## 10.2. Liquidity risk

Liquidity risk refers to the risk unable to obtain sufficient funds in time to meet business development needs or to repay debts due and other payment obligations. The Company has sufficient working capital, and in recent years there has been no external borrowing to supplement the working capital of daily operating activities. The liquidity risk is extremely small.

## 10.3. Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

### 10.3.1. Foreign exchange risk

The Company's main business is located in the mainland of China, and main business is settled in CNY. Only three subsidiaries, Hong Kong company, North America Company and Mingjiang company, settle in HKD in Hong Kong and USD in the United States respectively. The proportion and impact of their income and profit scale are negligible, and the foreign exchange risk is minimal.

### 10.3.2. Rate risk

The Company's operating capital is sufficient and in recent years there has been no external borrowing, so interest rate risk is minimal.

### 10.3.3. Other price risks

Other price risk refers to the risk of fluctuation caused by market price changes other than foreign exchange risk and interest rate risk, whether these changes are caused by factors related to a single financial instrument or its issuer or all similar financial instruments traded in the market. Other price risks faced by the Company mainly come from available-for-sale financial assets measured at fair value.

## 11. Fair value disclosure

### 11.1. Closing fair value of assets and liabilities measured at fair value

Monetary Unit: CNY

| Item                                       | Closing fair value |         |                  |                  |
|--|--------------------|---------|------------------|------------------|
|  | Level 1            | Level 2 | Level 3          | Total            |
| 1. Continuous measurement at fair value    | --                 | --      | --               | --               |
| 1.3 Other equity instrument investment     | 313,473,441.09     |         | 33,686,958.33    | 347,160,399.42   |
| Accounts receivable financing              |                    |         | 3,209,371,766.35 | 3,209,371,766.35 |
| 2. Discontinuous measurement at fair value | --                 | --      | --               | --               |

## 11.2. Determination basis of the market value of items measured continuously and discontinuously within Level 1 of the fair value hierarchy

The listed companies in mainland China determine the fair value of other equity instrument investment according to the closing price on the last trading day of Shenzhen Stock Exchange or Shanghai Stock Exchange at the period-end. The companies listed in Hong Kong determine the fair value of other equity instrument investment according to the closing price of Hong Kong Dollar on the last trading day of Hong Kong Stock Exchange at the period-end and the median price of RMB exchange rate disclosed on the same day by China Foreign Exchange Trade System.

## 11.3. Valuation technique adopted and nature and amount determination of important parameters for continuously and discontinuously within Level 3 of the fair value hierarchy

Accounts receivable financing: Due to the short term of notes receivable less than 1 year, and the sales time, sales price and sale proportion cannot be estimated reliably, the Company shall measure the fair value by regarding the face value as the reasonable estimation.

Other equity instrument investment: Due to no significant changes in business environment, business condition and financial situation of invested companies, the Company shall measure the fair value according to the lower one between investment cost and the share of net assets enjoyed by invested companies on the base date as the reasonable estimation.

## 12. Related parties and related party transactions

### 12.1. The parent company of the Company

| Parent company                 | Registration place | Business nature                 | Registered capital | Shareholding proportion by the parent company | Voting rights proportion by the parent company |
|--------------------------------|--------------------|---------------------------------|--------------------|---|--|
| Luzhou Laojiao Group Co., Ltd. | Luzhou, Sichuan    | Investment and asset management | 2,798,818,800.00   | 26.02%  | 51.01%   |

Statements for situation of parent company:

The nature of parent company: Limited liability company (wholly state-owned);

Registration place: Ai Rentang Square, China Liquor Golden Triangle Wine Industry Park, Luzhou, Sichuan Province; Business Scope: Investment and asset management; investment in liquor, food, finance, trade, logistics, education, medical and health, cultural tourism, Internet industry; holding company services; social economic consulting, business management consulting; enterprise management services; supply chain management services; import and export business and trade agency; food production, sales (including online); planting and sales of crops (including online). (The Company cannot start business activities until projects subject to approval according to law are approved by relevant departments.)

The final control party of the Company is SASAC of Luzhou.

## 12.2. Subsidiaries of the Company

For details please see Note 9.1. Interests in subsidiaries

## 12.3. Joint ventures and associates of the Company

For details please see Note 9.3. Interests in joint ventures and associates.

There are no other joint ventures or associates that have related party transactions with the Company in the current period or in the previous period and result in balance.

## 12.4. Other related party of the Company

| Name of Other Related Party   | Relationship with the Company                              |
|---|--|
| Sichuan Development Wine Investment Co., Ltd.                             | Joint venture  |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.                 | Joint venture  |
| Luzhou Jiachuang Wine Supply Chain Management Co., Ltd.                   | The same parent company                                    |
| Luzhou Jiaxin Holding Group Co., Ltd.                                     | The same parent company                                    |
| Sichuan Kangrun Group Construction and Installation Engineering Co., Ltd. | The same parent company                                    |
| Luzhou Laojiao Zhitong Trading Co., Ltd.                                  | The same parent company                                    |
| Luzhou Lianzhong Logistics Co. Ltd.                                       | The same parent company                                    |
| Luzhou Laojiao Commercial College of Luzhou                               | The same parent company                                    |
| Luzhou COSCO Lianzhong Logistics Co., Ltd.                                | The same parent company                                    |
| Sichuan Kangrun Group Real Estate Development Co., Ltd.                   | The same parent company                                    |
| Sichuan Kangrun Investment Group Co., Ltd.                                | The same parent company                                    |
| Sichuan Lianzhong Supply Chain Service Co., Ltd.                          | The same parent company                                    |
| New Shottes Brook Private Company   | The same parent company                                    |
| Luzhou Communication Investment Group Auto Service Co., Ltd.              | Subsidiary of the second largest shareholder               |
| Luzhou XingLu Water (Group) Co., Ltd.                                     | Subsidiary of the second largest shareholder               |
| Luzhou XingLu Property Management Co., Ltd.                               | Subsidiary of the second largest shareholder               |
| Sichuan Meiheshan Village Winery Industry Co.,Ltd.                        | Minority shareholder of the subsidiary Fruit Wine Industry |
| Other subsidiaries of Luzhou XingLu Investment Group Co., Ltd.            | Other subsidiary of the second largest shareholder         |
| Other subsidiaries of Luzhou Laojiao Group Co., Ltd.                      | Other subsidiary of parent company                         |

Other statements:

Note: On 31 December 2015, Laojiao Group and XingLu Investment Group, the second biggest shareholder, signed a concerted action agreement that when the parties in deal with the Company's business development and make decisions by shareholders meeting and board of directors according to the company law and other relevant laws and regulations and the articles of association, the parties should adopt the consistent actions. The agreement is valid as of 13 December 2015 and ends on 1 June 2021. During the effective period of this agreement, before any party submits proposals involving the major issues of the Company's business development to the shareholders meeting or exercise the voting rights at the shareholders meeting and the board of directors, the internal coordination for relevant proposals and voting events shall be conducted by persons acting in concert. If there are different opinions, it will be subject to Laojiao Group's opinion. In view of this, the Company will disclose the transactions with XingLu Investment Group and its controlling enterprises as other related parties of the Company.

## 12.5. Related transactions

### 12.5.1. Related transactions of purchase and sales of goods / rendering and receipt of services

Table of purchase of goods / receipt of services

Monetary Unit: CNY

| Name of Related Party   | Transaction  | Amount in current period | Approved trading amount | Whether over approved trading amount | Amount in previous period |
|---|--|--------------------------|-------------------------|--------------------------------------|---------------------------|
| Receipt of services:  |  |                          |                         |                                      |                           |
| Luzhou XingLu Investment Group Co., Ltd. and its other subsidiaries | Property management fee ,etc.  | 4,351,746.11             |                         |                                      | 3,909,858.41              |
| Laojiao Group and its other subsidiaries                            | Training, accommodation, storage, transportation services, property management fee, etc. | 45,395,748.17            |                         |                                      | 46,058,991.08             |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.           | Travel agency service fee, etc.  | 1,041,370.00             |                         |                                      |                           |

|   |   |                |  |  |                |
|---|---|----------------|--|--|----------------|
| Purchase of goods:  |   |                |  |  |                |
| Laojiao Group and its other subsidiaries                            | Housing construction fee , land expense, etc. | 328,967,000.00 |  |  | 287,389,843.00 |
| Laojiao Group and its other subsidiaries                            | Red wine, water, power, etc.                  | 27,682,924.62  |  |  | 41,924,295.93  |
| Luzhou XingLu Investment Group Co., Ltd. and its other subsidiaries | Gas   | 6,957,769.40   |  |  | 7,153,652.03   |
| Sichuan Meiheshan Village Winery Industry Co.,Ltd.                  | Wine  | 225,374.00     |  |  |                |
| Total   |   | 414,621,932.30 |  |  | 386,436,640.45 |

## Table of sales of goods and rendering of service

Monetary Unit: CNY

| Name of Related Party                                     | Transaction              | Amount in current period | Amount in previous period |
|---|--------------------------|--------------------------|---------------------------|
| Sales of goods:   |                          |                          |                           |
| Laojiao Group and its subsidiaries                        | Wine, water, power, etc. | 11,692,235.06            | 3,985,144.32              |
| XingLu Investment Group and its subsidiaries              | Wine                     |                          | 156,000.00                |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd. | Wine                     | 4,716,024.00             |                           |
| Rendering of service:                                     |                          |                          |                           |
| Laojiao Group and its subsidiaries                        | Rendering of service     | 2,786,320.00             |                           |
| Sichuan Development Wine Investment Co., Ltd.             | Rendering of service     | 254,402.30               |                           |
| Total   |                          | 19,448,981.36            | 4,141,144.32              |

**12.5.2. Related party leasing**

The Company as lessee:

Monetary Unit: CNY

| Name of lessor                     | Type of leased asset | Leasing fee recognized during current period | Leasing fee recognized during previous period |
|------------------------------------|----------------------|--|---|
| Laojiao Group and its subsidiaries | House lease          | 2,771,944.90                                 | 1,551,064.09                                  |
| Total                              |                      | 2,771,944.90                                 | 1,551,064.09                                  |

### 12.5.3. Key management compensation

Monetary Unit: CNY

| Item           | Amount in current period | Amount in previous period |
|----------------|--------------------------|---------------------------|
| Key management | 8,356,121.42             | 7,467,800.00              |

## 12.6. Receivables and payables of related parties

### 12.6.1. Receivables

Monetary Unit: CNY

| Item   | Related party                                      | Closing Balance |                        | Opening Balance |                        |
|--|--|-----------------|------------------------|-----------------|------------------------|
|  |  | Book value      | Provision for bad debt | Book value      | Provision for bad debt |
| Other non-current assets (transfer prepayment of land use right) | Luzhou Jiaxin Holding Group Co., Ltd.              |                 |                        | 70,994,300.00   |                        |
| Prepayment   | New Shottes Brook private company                  |                 |                        | 32,149,113.33   |                        |
| Prepayment   | Luzhou XingLu Water (Group) Co., Ltd.              | 42,883.70       |                        | 3,145.70        |                        |
| Prepayment   | Sichuan Meiheshan Village Winery Industry Co.,Ltd. | 885,834.00      |                        |                 |                        |
| Other receivables  | Sichuan Kangrun Investment Group Co., Ltd.         | 10,000.00       |                        | 10,000.00       |                        |
| Other receivables  | CTS Luzhou Laojiao Cultural Tourism                | 3,268,472.46    | 163,423.62             |                 |                        |

|                   |   |            |          |  |  |
|-------------------|---|------------|----------|--|--|
|                   | Development Co., Ltd.                         |            |          |  |  |
| Other receivables | Sichuan Development Wine Investment Co., Ltd. | 102,670.32 | 5,133.52 |  |  |

### 12.6.2. Payables

Monetary Unit: CNY

| Item                                    | Related party  | Closing Balance        | Opening Balance |
|---|--|------------------------|-----------------|
| Accounts payable                        | Sichuan Kangrun Group Real Estate Development Co., Ltd.      |                        | 372,467.29      |
| Accounts payable                        | Luzhou XingLu Water (Group) Co., Ltd.                        |                        | 297,019.53      |
| Accounts payable                        | Sichuan Lianzhong Supply Chain Service Co., Ltd.             |                        | 135,824.73      |
| Accounts payable                        | Luzhou Communication Investment Group Auto Service Co., Ltd. |                        | 13,950.00       |
| Accounts payable                        | Luzhou Jiaxin Holding Group Co., Ltd.                        |                        | 178,170.40      |
| Contractual liabilities (tax inclusive) | Sichuan Lianzhong Supply Chain Service Co., Ltd.             | 35,798.45 <sup>1</sup> | 2,628.03        |
| Contractual liabilities (tax inclusive) | Luzhou Laojiao Group Co., Ltd.                               |                        | 1,680.00        |
| Contractual liabilities (tax inclusive) | Luzhou Laojiao Commercial College                            |                        | 840.00          |
| Contractual liabilities (tax inclusive) | CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.    | 4,704,408.00           |                 |
| Contractual liabilities (tax inclusive) | Luzhou Jiachuang Wine Supply Chain Management Co., Ltd.      | 4,065,243.22           |                 |
| Other payables                          | Luzhou Jiachuang Wine Supply Chain Management Co., Ltd.      | 1,500,000.00           |                 |
| Other payables                          | Sichuan Lianzhong Supply Chain Service Co., Ltd.             | 2,384,148.00           | 750,000.00      |
| Other payables                          | Luzhou XingLu Property                                       | 100,000.00             | 100,000.00      |



|                |   |            |            |
|----------------|---|------------|------------|
|                | Management Co., Ltd.  |            |            |
| Other payables | Sichuan Kangrun Group<br>Construction and Installation<br>Engineering Co., Ltd. | 34,175.78  |            |
| Other payables | Luzhou COSCO Lianzhong<br>Logistics Co., Ltd.                                   | 200,200.00 | 200,000.00 |

Note: 1. The former Luzhou Lianzhong Logistics Co., Ltd. was renamed Sichuan Lianzhong Supply Chain Service Co., Ltd. in 2020.

## 13. Commitments and contingencies

### 13.1. Contingencies

#### 13.1.1. Significant contingencies at the balance sheet date

On 15 October 2014 and 10 January 2015, the Company disclosed three saving deposits involving contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank, with a total amount of CNY 500 million. The public security organization has investigated, and the investigation of related cases and the preservation of assets are under way. The Company has initiated a civil procedure to recover the loss from the responsible unit, among them:

The criminal case with saving deposits involving contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch with amount of CNY 150 million was concluded, and the amount involved in the case was ultimately determined to be CNY 149.425 million, which was executed by criminal case. The Company applied to Hunan Province Higher People's Court for enforcement of the verdict. Hunan Province Higher People's Court has filed the case and ruled that Hunan Changsha Intermediate People's Court should see to the execution of the verdict. As of 31 December 2020, CNY 20.3353 million was recovered.

The Company has filed a lawsuit with Sichuan Higher People's Court about the saving deposits involving contract disputes in Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou Sub-branch with amount of 150 million. Sichuan Higher People's Court ruled that the case should be transferred to the Henan Higher People's Court. Henan Higher People's Court considered that due to the involvement of criminal cases, its trial should be based on the results of criminal case, and judged to suspend in 2015. Now the case has been settled, and the case of civil action is reopened, which is under trial of Henan Higher People's Court.

Another deposit in the *Notice of Significant Events* No. 2015-1 has been recovered a total of CNY 194.6198 million as of the period-end, and the residual amount is recovering actively.

The Company has recovered the abovementioned saving deposits involving contract disputes with CNY 214.9551 million, and the relevant progress will be announced subsequently.

Except for the above matters, the Company has no other significant contingencies that need to be disclosed as the end of 31 December 2020.

## 14. Post balance sheet event

### 14.1. Profit distribution

Monetary Unit: CNY

|   |                  |
|---|------------------|
| Profits or dividends planned to distribute                        | 3,004,207,328.28 |
| Reviewed and approved profits or dividends declared to distribute | 3,004,207,328.28 |

### 14.2. Sales return

There are no important sales returning after balance sheet date.

### 14.3. Statement for other post balance sheet events

#### **(1) Part of state-owned equity of the Company and its controlling shareholders was transferred for free to enrich the social security fund**

SASAC of Luzhou transferred for free to the Sichuan Provincial Department of Finance 111,193 state-owned shares of "Luzhou Laojiao" (accounting for 10% of the Company's shares held by SASAC of Luzhou, and 0.008% of the Company's total shares), the 10% equity of Laojiao Group, the Company's controlling shareholder, and the 10% equity of Xinglu Group, a person acting in concert with Laojiao Group. These will be held by the Sichuan Provincial Finance Department on behalf of the Social Security Fund.

As of the reporting date, the procedures for the transfer of shares of the Company directly held by SASAC of Luzhou have not been completed. The transfer of state-owned equity does not involve the Company's equity held by Laojiao Group and Xinglu Group. The number and proportion of shares held by Laojiao Group and Xinglu Group remain unchanged, and Laojiao Group remains the Company's controlling shareholder. The shareholder, SASAC of Luzhou is still the actual controller of the Company.

#### **(2) Cancellation of Subsidiaries**

On 29 January 2021, the 24th Meeting of the Ninth Board of Directors of the Company reviewed and approved the proposal on the cancellation of subsidiaries Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd. and Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd. According to business development circumstances, the Company decided to cancel the above two subsidiaries, which will not have a significant impact on the Company's financial status and operating results.

#### **(3) Investment in the establishment of New Retail Management Company of Luzhou Laojiao Co., Ltd.**

On 29 January 2021, the 24th Meeting of the Ninth Board of Directors of the Company reviewed and

approved the Proposal on Investing in the Establishment of New Retail Management Company of Luzhou Laojiao Co., Ltd., and agreed that the Company and its wholly-owned subsidiary Sales Company of Luzhou Laojiao Co., Ltd. would jointly invest in the establishment of New Retail Management Company of Luzhou Laojiao Co., Ltd. (subject to the actual industrial and commercial registration, hereinafter referred to as "New Retail Company"). Specifically, the Company will invest CNY 20 million in cash with its own funds, accounting for 40% of the total share capital; the sales company will invest CNY 30 million in cash with its own funds, accounting for 60% of the total share capital. After the establishment of the New Retail Company, it will integrate and utilize Luzhou Laojiao's online and offline resources to further promote the company's "Wine + Internet" business.

#### **(4) Participation in the investment and establishment of Chengyin Financial Leasing Co., Ltd.**

On 29 January 2021, the 24th Meeting of the Ninth Board of Directors of the Company reviewed and approved the *Proposal on Participating in Investment in the Establishment of Chengyin Financial Leasing Co., Ltd.* In order to make business synergetic and complementary and obtain investment profits, the Company agreed that it would cooperate with Chengdu Bank Co., Ltd. (hereinafter referred to as "Chengdu Bank") and Chengdu Jiaozi Financial Holding Group Co., Ltd. (hereinafter referred to as "Jiaozi Financial Holding") to jointly invest in and establish Chengyin Financial Leasing Co., Ltd. (subject to actual industrial and commercial registration). The Company will invest CNY 300 million in cash with its own funds, accounting for 15% of the total equity; Chengdu Bank will invest CNY 1.4 billion in cash with its own funds, accounting for 70% of the total equity; Jiaozi Financial Holding will invest CNY 300 million with its own funds, accounting for 15% of the total share capital.

Except for the above matters, the Company has no other post balance sheet events that need to be disclosed as of 31 December 2020.

## **15. Other important information**

### **15.1. Annuity plan**

The Company carried out the enterprise annuity payment work normally in 2020. The enterprise annuity funds are paid by both the Company and employees. The Company's contribution shall not exceed 8% of the Company's total salary in the previous year as stipulated by the state, and the individual contribution shall be withheld by the Company according to 1% of total salary of the employee in the previous year.

### **15.2. Segment information**

#### **15.2.1. If the Company has no reporting segment or cannot disclose total assets and total liabilities of reporting segments, the reason should be disclosed.**

Except for the business on wine sales, the Company does not operate other businesses that have a significant impact on operation results. In addition, the Company operates mainly in one area, revenue mainly from China and main assets also located in China, so the Company does not need to disclose segment data.

### 15.3. Other significant events that can affect investors' decision

#### (1) Saving deposits involving contract disputes

As stated in Note 12.2, three saving deposits involved contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank, with a total amount of CNY 500 million. At present, the investigation of related cases and the preservation of assets have been under way. The Company has initiated a civil procedure to recover the loss from the responsible unit.

Based on the amount of assets preserved by the public security organization at present and professional legal opinions issued by Beijing Weiheng (Chengdu) Law Firm on 10 March 2021, the Company has made provision for bad debts on savings deposits involving contract disputes of CNY 200 million. In the future, the amount of bad debts may be adjusted along with the process and recovery of cases.

#### (2) Progress of technical renovation project of brewing investment

Based on the Company's development strategy, the "13th Five-Year Plan" and deep analysis of the liquor industry and the actual situation of the Company itself, the Company invested in the implementation of technical renovation project of brewing with Brewing Company, the wholly-owned subsidiary, as the main body. The total investment of the project is CNY 8,877.2765 million, and the required funds are solved by the Company with self-owned funds and other financing methods. At present, the project has been completed and invested a total of CNY 7,722.4114 million, and the completion ratio has been 100%. Besides, the quality acceptance of relevant subprojects has been accomplished and other acceptance and settlement are in an orderly way.

Except for the above matters, the Company has no other significant events that can affect investors' decision that need to be disclosed as of 31 December 2020.

## 16. Notes to the main items of the financial statements of parent company (all currency unit is CNY, except other statements)

### 16.1. Accounts receivable

#### 16.1.1. Analysis by categories

Monetary Unit: CNY

| Type                        | Closing Balance |            |                        |            |            | Opening Balance |            |                        |            |            |
|-----------------------------|-----------------|------------|------------------------|------------|------------|-----------------|------------|------------------------|------------|------------|
|                             | Book balance    |            | Provision for bad debt |            | Book value | Book balance    |            | Provision for bad debt |            | Book value |
|                             | Amount          | Proportion | Amount                 | Proportion |            | Amount          | Proportion | Amount                 | Proportion |            |
| Including:                  |                 |            |                        |            |            |                 |            |                        |            |            |
| Accounts receivables tested | 3,927.50        | 100.00%    |                        |            | 3,927.50   | 21,759.06       | 100.00%    | 196.21                 | 0.90%      | 21,562.85  |

|   |          |          |  |  |          |           |         |        |       |           |
|---|----------|----------|--|--|----------|-----------|---------|--------|-------|-----------|
| for impairment by the portfolio   |          |          |  |  |          |           |         |        |       |           |
| Including:  |          |          |  |  |          |           |         |        |       |           |
| Accounts receivables tested for impairment on the portfolio with characteristics of credit risk | 3,927.50 | 100.00 % |  |  | 3,927.50 | 21,759.06 | 100.00% | 196.21 | 0.90% | 21,562.85 |
| Total   | 3,927.50 | 100.00 % |  |  | 3,927.50 | 21,759.06 | 100.00% | 196.21 | 0.90% | 21,562.85 |

Accounts receivables tested for impairment by the portfolio:

Monetary Unit: CNY

| Item             | Closing Balance |                        |            |
|------------------|-----------------|------------------------|------------|
|                  | Book balance    | Provision for bad debt | Proportion |
| Risk portfolio   |                 |                        |            |
| Other portfolios | 3,927.50        |                        |            |
| Total            | 3,927.50        |                        | --         |

Statements for determining the portfolio:

Note: Other portfolios refer to the receivable payment for goods from the subsidiary Sales Company of Luzhou Laojiao Co., Ltd. with no risks and provision for bad and doubtful debt.

Please refer to the relevant information of disclosure of provision for bad debt of other accounts receivable if adopting the general mode of expected credit loss to withdraw provision for bad debt of accounts receivable.

Applicable  N/A

Disclosure by aging

Monetary Unit: CNY

| Aging                            | Book balance |
|----------------------------------|--------------|
| Within 1 year (including 1 year) | 3,927.50     |
| Total                            | 3,927.50     |

### 16.1.2. Provision and recovery for bad and doubtful debt in the current period

Allowance of provision for bad debt:

Monetary Unit: CNY

| Type | Opening | Current Period | Closing Balance |
|------|---------|----------------|-----------------|
|------|---------|----------------|-----------------|

|   | Balance       | Allowance | Reversal or recovery | Write-off | Other |  |
|---|---------------|-----------|----------------------|-----------|-------|--|
| Accounts receivables tested for impairment by the portfolio | 196.21        |           | 196.21               |           |       |  |
| <b>Total</b>  | <b>196.21</b> |           | <b>196.21</b>        |           |       |  |

There is no accounts receivable reversed or recovered with significant amount during the reporting period.

### 16.1. 3. Top five entities with the largest balances of accounts receivable

Monetary Unit: CNY

| Company Name                              | Closing Balance | Proportion to total closing balance of accounts receivable | Closing Balance of provision for bad debt |
|---|-----------------|--|---|
| Sales Company of Luzhou Laojiao Co., Ltd. | 3,927.50        | 100.00%  |   |
| <b>Total</b>                              | <b>3,927.50</b> | <b>100.00%</b>   |   |

### 16.2. Other receivables

Monetary Unit: CNY

| Item                 | Closing Balance         | Opening Balance         |
|----------------------|-------------------------|-------------------------|
| Interest receivable  |                         | 40,570,144.44           |
| Dividends receivable | 1,407,900.00            |                         |
| Other receivables    | 7,051,341,794.83        | 5,809,911,336.06        |
| <b>Total</b>         | <b>7,052,749,694.83</b> | <b>5,850,481,480.50</b> |

#### 16.2.1. Interest receivable

##### 16.2.1.1. Classification of interest receivable

Monetary Unit: CNY

| Item           | Closing Balance | Opening Balance      |
|----------------|-----------------|----------------------|
| Fixed deposits |                 | 40,570,144.44        |
| <b>Total</b>   |                 | <b>40,570,144.44</b> |

**16.2.1.2. Significant interest receivable overdue**

There is no significant interest receivable overdue at the period-end.

**16.2.1.3. Provision for bad and doubtful debt**

Applicable  N/A

**16.2.2. Dividend receivable****16.2.2.1. Classification of dividend receivable**

Monetary Unit: CNY

| Item                              | Closing Balance | Opening Balance |
|-----------------------------------|-----------------|-----------------|
| Guotai Junan Securities Co., Ltd. | 1,407,900.00    |                 |
| Total                             | 1,407,900.00    |                 |

**16.2.2.2. Provision for bad and doubtful dividend receivable in the current period**

Applicable  N/A

Other statements:

There is no provision for bad debt at the period-end.

**16.2.3. Other receivables****16.2.3.1. Other receivables disclosed by nature**

Monetary Unit: CNY

| Nature                                       | Closing book balance | Opening book balance |
|--|----------------------|----------------------|
| Intercourse funds of subsidiaries receivable | 6,957,047,554.34     | 5,709,914,323.15     |
| Intercourse funds and others                 | 9,599,994.92         | 14,258,750.49        |
| Petty cash                                   | 393,142.93           | 454,894.47           |
| Saving deposits involving contract disputes  | 285,044,911.68       | 287,400,297.52       |
| Total  | 7,252,085,603.87     | 6,012,028,265.63     |

**16.2.3.2. Provision for bad and doubtful other receivables in the current period**

Monetary Unit: CNY

| Provision for bad debt | First stage | Second stage | Third stage | Total |
|------------------------|-------------|--------------|-------------|-------|
|                        |             |              |             |       |

|   | Expected credit loss of the next 12 months | Expected loss in the duration (credit impairment not occurred) | Expected loss in the duration (credit impairment occurred) |                |
|---|--|--|--|----------------|
| Balance of 1 January 2020                       | 2,116,929.57                               |  | 200,000,000.00   | 202,116,929.57 |
| Balance of 1 January 2020 in the current period | —  | —  | —  | —              |
| Reversal of the current period                  | 1,373,120.53                               |  |  | 1,373,120.53   |
| Balance of 31 December 2020                     | 743,809.04                                 |  | 200,000,000.00   | 200,743,809.04 |

Changes of carrying amount with significant amount changed of loss provision in the current period

Applicable  N/A

Disclosure by aging

Monetary Unit: CNY

| Aging                            | Book balance     |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 6,963,615,200.49 |
| 1-2 years                        | 3,268,477.64     |
| 2-3 years                        | 78,387.13        |
| Over 3 years                     | 285,123,538.61   |
| 4-5 years                        | 28,626.93        |
| Over 5 years                     | 285,094,911.68   |
| Total                            | 7,252,085,603.87 |

### 16.2.3.3. Provision and recovery for bad and doubtful other receivables in the current period

Allowance of provision for bad debt:

Monetary Unit: CNY

| Type   | Opening Balance | Current Period |                      |           |       | Closing Balance |
|--|-----------------|----------------|----------------------|-----------|-------|-----------------|
|  |                 | Allowance      | Reversal or recovery | Write-off | Other |                 |
| Other receivables tested for impairment individually<br>Note 1 | 200,000,000.00  |                |                      |           |       | 200,000,000.00  |



|  |                |  |              |  |                |
|--|----------------|--|--------------|--|----------------|
| Other receivables tested for impairment by the portfolio | 2,116,929.57   |  | 1,373,120.53 |  | 743,809.04     |
| <b>Total</b>   | 202,116,929.57 |  | 1,373,120.53 |  | 200,743,809.04 |

Note 1: Refer to Note 5.5, 12.2 for details.

Note 2: There is no provision for bad debt reversed or recovered of other receivables with significant amount in the reporting period.

#### 16.2.3.4. Top five entities with the largest balances of the other receivables

Monetary Unit: CNY

| Company Name   | Nature                                      | Closing Balance  | Aging         | Proportion in total receivables | Provisioning amount at period end |
|--|---|------------------|---------------|---------------------------------|-----------------------------------|
| Luzhou Laojiao Brewing Co., Ltd.   | Internal transactions                       | 5,848,582,256.10 | Within 1 year | 80.65%                          |                                   |
| Luzhou Laojiao Electronic Commerce Co., Ltd.   | Internal transactions                       | 434,982,161.25   | Within 1 year | 6.00%                           |                                   |
| Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank. | Saving deposits involving contract disputes | 285,044,911.68   | Over 5 years  | 3.93%                           | 200,000,000.00                    |
| Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.  | Internal transactions                       | 232,502,159.89   | Within 1 year | 3.21%                           |                                   |
| Luzhou Laojiao Import and Export Trade Co., Ltd.   | Internal transactions                       | 140,498,343.05   | Within 1 year | 1.94%                           |                                   |
| <b>Total</b>   | --  | 6,941,609,831.97 | --            | 95.72%                          | 200,000,000.00                    |

### 16.3. Long-term equity investments

Monetary Unit: CNY

| Item                                       | Closing Balance      |                          |                      | Opening Balance      |                          |                      |
|--|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
|  | Book balance         | Provision for impairment | Book value           | Book balance         | Provision for impairment | Book value           |
| Investment in subsidiary                   | 3,413,960,128.1<br>1 |                          | 3,413,960,128.1<br>1 | 3,413,960,128.1<br>1 |                          | 3,413,960,128.1<br>1 |
| Investment in associates and joint venture | 2,472,698,683.1<br>6 | 2,567,098.80             | 2,470,131,584.3<br>6 | 2,225,288,824.5<br>2 | 2,567,098.80             | 2,222,721,725.7<br>2 |
| Total                                      | 5,886,658,811.2<br>7 | 2,567,098.80             | 5,884,091,712.4<br>7 | 5,639,248,952.6<br>3 | 2,567,098.80             | 5,636,681,853.8<br>3 |

### 16.3.1. Investment in subsidiary

Monetary Unit: CNY

| Investee   | Opening Balance (book value) | Changes in current period |          |                          |       | Closing Balance (book value) | Closing balance of provision for impairment |
|--|------------------------------|---------------------------|----------|--------------------------|-------|------------------------------|---|
|  |                              | Increase                  | Decrease | Provision for impairment | Other |                              |   |
| Luzhou Pinchuang Technology Co., Ltd.                          | 57,649,100.0<br>0            |                           |          |                          |       | 57,649,100.00                |   |
| Sales Company of Luzhou Laojiao Co., Ltd.                      | 103,162,447.<br>09           |                           |          |                          |       | 103,162,447.0<br>9           |   |
| Luzhou Laojiao Brewing Co., Ltd.                               | 3,172,109,99<br>1.25         |                           |          |                          |       | 3,172,109,991<br>.25         |   |
| Luzhou Laojiao International Development (Hong Kong) Co., Ltd. | 5,433,789.77                 |                           |          |                          |       | 5,433,789.77                 |   |
| Luzhou Laojiao Electronic Commerce                             | 51,604,800.0<br>0            |                           |          |                          |       | 51,604,800.00                |   |

|  |                  |  |  |  |  |  |                   |  |
|--|------------------|--|--|--|--|--|-------------------|--|
| Co., Ltd.  |                  |  |  |  |  |  |                   |  |
| Luzhou Baonuo Biotechnology Co., Ltd.                | 20,000,000.00    |  |  |  |  |  | 20,000,000.00     |  |
| Luzhou Laojiao Tourism Culture Co., Ltd.             | 4,000,000.00     |  |  |  |  |  | 4,000,000.00      |  |
| Luzhou Laojiao Health Liquor Industry Co., Ltd. Note | 0.00             |  |  |  |  |  | 0.00 <sup>1</sup> |  |
| Total  | 3,413,960,128.11 |  |  |  |  |  | 3,413,960,128.11  |  |

Note: 1. The Company obtained 100% of equity in Health Liquor Industry by the business combination under the same control. The net assets of Health Liquor Industry were negative on the M&A date, and the book cost of long-term equity investment was limited to 0 by the Company.

### 16.3.2. Investment in associate and joint venture

Monetary Unit: CNY

| Investee                          | Opening Balance (book value) | Changes in current period |          |   |   |                         |                                 |                          |       | Closing Balance (book value) | Closing Balance of provision for impairment |
|-----------------------------------|------------------------------|---------------------------|----------|---|---|-------------------------|---------------------------------|--------------------------|-------|------------------------------|---|
|                                   |                              | Increase                  | Decrease | Gain or loss recognized under equity method | Adjustments of other comprehensive income | Changes in other equity | Cash divided or profit declared | Provision for impairment | Other |                              |   |
| 1. Joint Venture                  |                              |                           |          |   |   |                         |                                 |                          |       |                              |   |
| 2. Associate                      |                              |                           |          |   |   |                         |                                 |                          |       |                              |   |
| Huaxi Securities Co., Ltd.        | 2,209,738,981.55             |                           |          | 197,511,851.10                              | -2,965,293.21                             |                         | 20,735,166.94                   |                          |       | 2,383,550,372.50             | 2,567,098.80                                |
| Sichuan Development Wine Investme | 12,982,744.17                |                           |          | -6,128,272.50                               |   |                         |                                 |                          |       | 6,854,471.67                 |   |

|   |                      |                   |  |                    |                   |  |                   |  |  |                                |                  |
|---|----------------------|-------------------|--|--------------------|-------------------|--|-------------------|--|--|--------------------------------|------------------|
| nt Co.,<br>Ltd.   |                      |                   |  |                    |                   |  |                   |  |  |                                |                  |
| CTS<br>Luzhou<br>Laojiao<br>Cultural<br>Tourism<br>Develop<br>ment<br>Co., Ltd. |                      | 80,000,0<br>00.00 |  | -273,259<br>.81    |                   |  |                   |  |  | 79,726,7<br>40.19 <sup>1</sup> |                  |
| Subtotal  | 2,222,72<br>1,725.72 | 80,000,0<br>00.00 |  | 191,110,<br>318.79 | -2,965,2<br>93.21 |  | 20,735,1<br>66.94 |  |  | 2,470,13<br>1,584.36           | 2,567,09<br>8.80 |
| Total   | 2,222,72<br>1,725.72 | 80,000,0<br>00.00 |  | 191,110,<br>318.79 | -2,965,2<br>93.21 |  | 20,735,1<br>66.94 |  |  | 2,470,13<br>1,584.36           | 2,567,09<br>8.80 |

Note: 1. On 7 August 2020, the 21st Meeting of the ninth Board of Directors of the Company reviewed and approved the *Proposal on Participating in the Investment in the Establishment of CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd.*, agreeing to the Company's cooperation with Hong Kong China Travel International Investment Co., Ltd. (hereinafter referred to as "Hong Kong China Travel") to fund the establishment of CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd. Specifically, Hong Kong China Travel will hold 60% of the shares and the Company will hold 40%, which has a significant impact and is calculated according to the equity method.

#### 16.4. Operating revenue and cost of sales

Monetary Unit: CNY

| Item             | Current Period   |                  | Previous Period  |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | Revenue          | Cost of sales    | Revenue          | Cost of sales    |
| Primary business | 5,455,096,585.89 | 4,185,106,836.28 | 4,860,840,693.18 | 3,494,170,203.81 |
| Other business   | 43,748,867.59    | 23,164.25        | 25,969,729.09    | 24,717.35        |
| Total            | 5,498,845,453.48 | 4,185,130,000.53 | 4,886,810,422.27 | 3,494,194,921.16 |

Details:

Monetary Unit: CNY

| Contract category            | Liquor sales     | Total            |
|------------------------------|------------------|------------------|
| Commodity type               | 5,455,096,585.89 | 5,455,096,585.89 |
| Including:                   |                  |                  |
| Medium and high grade liquor | 5,444,771,238.63 | 5,444,771,238.63 |
| Other liquor                 | 10,325,347.26    | 10,325,347.26    |

|                          |                  |                  |
|--------------------------|------------------|------------------|
| By operating segment     | 5,455,096,585.89 | 5,455,096,585.89 |
| Including:               |                  |                  |
| Domestic                 | 5,455,096,585.89 | 5,455,096,585.89 |
| Including:               |                  |                  |
| Contract type            | 5,455,096,585.89 | 5,455,096,585.89 |
| Including:               |                  |                  |
| Commodity sales contract | 5,455,096,585.89 | 5,455,096,585.89 |
| Including:               |                  |                  |
| Including:               |                  |                  |
| Including:               |                  |                  |

Details about performance obligations:

N/A

## 16.5. Investment income

Monetary Unit: CNY

| Item  | Current Period          | Previous Period         |
|---|-------------------------|-------------------------|
| Investment income from long-term equity investments under cost method                   | 3,929,019,694.32        | 4,042,151,515.27        |
| Investment income from long-term equity investments under equity method                 | 191,110,318.79          | 145,963,325.70          |
| Dividends income gained during the period of holding other equity instrument investment | 9,379,824.36            | 8,748,669.71            |
| <b>Total</b>  | <b>4,129,509,837.47</b> | <b>4,196,863,510.68</b> |

## 16.6. Other

Note: There is no major restriction on the repatriation of the Company's investment income.

Including: investment income from long-term equity investments under the cost method:

| Item                                      | Current Period          | Previous Period         |
|---|-------------------------|-------------------------|
| Sales Company of Luzhou Laojiao Co., Ltd. | 3,875,865,582.42        | 3,839,476,695.00        |
| Luzhou Baonuo Biotechnology Co., Ltd.     | 9,897,435.68            | 1,020,509.10            |
| Luzhou Pinchuang Technology Co., Ltd.     | 43,256,676.22           | 187,948,211.21          |
| Luzhou Laojiao Tourism Culture Co., Ltd.  |                         | 13,706,099.96           |
| <b>Subtotal</b>                           | <b>3,929,019,694.32</b> | <b>4,042,151,515.27</b> |

Including: investment income from long-term equity investments under the equity method:

| Item  | Current Period        | Previous Period       |
|---|-----------------------|-----------------------|
| Huaxi Securities Co.,Ltd.                                 | 197,511,851.10        | 148,787,121.31        |
| Sichuan Development Wine Investment Co., Ltd.             | -6,128,272.50         | -2,823,795.61         |
| CTS Luzhou Laojiao Cultural Tourism Development Co., Ltd. | -273,259.81           |                       |
| <b>Subtotal</b>   | <b>191,110,318.79</b> | <b>145,963,325.70</b> |

Including: dividend income gained during the period of holding other equity instrument investment:

| Item                               | Current Period      | Previous Period     |
|------------------------------------|---------------------|---------------------|
| North Chemical Industries Co.,Ltd. | 85,995.53           | 85,995.53           |
| Luzhou Bank Co., Ltd.              | 4,700,800.00        | 5,424,000.00        |
| Guotai Junan Securities Co.,Ltd.   | 4,593,028.83        | 3,238,674.18        |
| <b>Subtotal</b>                    | <b>9,379,824.36</b> | <b>8,748,669.71</b> |

## 17. Supplementary information

### 17.1. Detailed statement of extraordinary gain and loss in the current period (+ for gain, - for loss)

Applicable  N/A

Monetary Unit: CNY

| Item   | Amount               | Remark                                  |
|--|----------------------|---|
| Gains or losses on disposal non-current assets   | 8,123,010.18         | For details please see Note 5.40        |
| Government grants included into current profits and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard) | 31,409,825.37        | For details please see Note 5.37        |
| Other non-operating income and costs other than above items  | -20,289,086.46       | For details please see Note 5.41, 5.42. |
| Less: Impact from income tax   | 4,512,028.92         |   |
| Impact from non-controlling shareholders' equity   | -159,555.47          |   |
| <b>Total</b>   | <b>14,891,275.64</b> | <b>--</b>                               |

Statement for extraordinary gain and loss items that the Company defines according to the definition in

“Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss” and definition of recurrent gain and loss items that are listed as extraordinary gain and loss in the “Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss”:

Applicable  N/A

## 17.2. Return on equity and earnings per share

| Profit during reporting period  | Weighted average ROE | EPS(CNY/Share) |             |
|---|----------------------|----------------|-------------|
|   |                      | Basic EPS      | Diluted EPS |
| Net profits attributable to ordinary shareholders of the Company  | 28.27%               | 4.10           | 4.10        |
| Net profits attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss | 28.20%               | 4.09           | 4.09        |

## **Section XIII Documents Available for Reference**

1. Financial statements signed and stamped by the legal representative, person in charge of accounting affairs and person in charge of accounting department;
2. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
3. The originals of all company documents and announcements that are disclosed on the public website designated by CSRC during the reporting period.