

Annual Report 2018

Anhui Gujing Distillery Company Limited

April 2019



Part I Important Notes

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

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

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

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

The Board has approved a final dividend plan as follows: based on the Company’s total shares on 31 December 2018, a cash dividend of RMB15.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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



做真人 釀美酒 善其身 濟天下



目录

CONTENTS

Part I Important Notes, Table of Contents and Definitions	2
Part II Corporate Information and Key Financial Information	5
Part III Business Summary	9
Part IV Management Discussion and Analysis	10
Part V Significant Events	28
Part VI Share Changes and Shareholder Information	41
Part VII Preferred Shares	47
Part VIII Directors, Supervisors, Senior Management and Staff	48
Part IX Corporate Governance	56
Part X Corporate Bonds	62
Part XI Financial Statements	63
Part XII Documents Available for Reference	127



Definitions

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

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

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

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is lodged	The Board Secretary's Office

IV Change to Company Registered Information

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

V Other Information

The independent audit firm hired by the Company:

Name	Ruihua Certified Public Accountants LLP
Office address	9 F, West Tower, China Overseas Property Plaza, Building No. 7, Courtyard No. 8, Xi Binhe Road, Yong Ding Men, Dong Cheng District, Beijing, China
Accountants writing signatures	Ou Changxian and Gao Qiang

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI Key Financial Information

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

☐ Yes ☒ No

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue (RMB)	8,686,140,336.89	6,968,325,048.55	24.65%	6,017,143,660.56
Net profit attributable to the listed company's shareholders (RMB)	1,695,231,643.05	1,148,740,644.93	47.57%	829,630,063.38
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	1,638,204,454.34	1,069,457,368.70	53.18%	792,534,098.54
Net cash generated from/used in operating activities (RMB)	1,440,881,285.95	930,914,712.78	54.78%	1,183,231,808.06
Basic earnings per share (RMB/share)	3.37	2.28	47.81%	1.65
Diluted earnings per share (RMB/share)	3.37	2.28	47.81%	1.65

Weighted average return on equity (%)	24.03%	19.09%	4.94%	15.88%
	31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
Total assets (RMB)	12,509,928,449.72	10,152,862,119.05	23.22%	8,736,205,153.86
Equity attributable to the listed company's shareholders (RMB)	7,601,984,024.58	6,459,078,378.38	17.69%	5,595,121,383.96

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

1. Net Profit and Equity under CAS and IFRS

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

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

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	2,559,879,006.93	2,223,204,888.40	1,979,015,719.48	1,924,040,722.08
Net profit attributable to the listed company's shareholders	581,079,212.12	311,343,125.52	363,302,909.34	439,506,396.07
Net profit attributable to the listed company's shareholders before exceptional items	568,229,870.99	304,118,603.13	347,165,716.83	418,690,263.39
Net cash generated from/used in operating activities	193,972,491.77	474,974,399.84	1,868,512,023.38	-1,096,577,629.04

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

☐ Yes ☒ No

IX Exceptional Gains and Losses√ Applicable ☐ Not applicable

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-10,060,019.55	-10,659,063.45	-6,319,619.72	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	36,041,674.45	34,257,968.39	25,336,275.56	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	18,653,228.80	54,544,637.44	16,263,956.97	
Reversed portion of impairment allowance for accounts receivable which are tested individually for impairment	0.00	491,989.18	0.00	
Non-operating income and expense other than the above	32,375,890.89	27,140,455.30	14,343,655.95	
Less: Income tax effects	18,150,068.72	25,366,619.70	12,229,198.63	
Non-controlling interests effects (net of tax)	1,833,517.16	1,126,090.93	299,105.29	
Total	57,027,188.71	79,283,276.23	37,095,964.84	--

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

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

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

No.

The Company primarily produces and markets liquor and spirits.

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

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

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Not applicable.

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

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

Part IV Management Discussion and Analysis

I Overview

In 2018, under the guidance of President Xi Jinping's thought on socialism with Chinese characteristics for a new era and the spirit of the 19th National Congress of the Communist Party of China, as well as upholding the values of "Be Honest, Offer Quality Spirits, Be Stronger and Be Helpful to the Society", the Company effectively implemented its "Distilled Spirits 5.0" strategy and "Five-Star Operational Capability" strategy. As a result, its various operating objectives have been successfully fulfilled and its operational quality is improving.

For 2018, the Company recorded operating revenue of RMB8.686 billion, up 24.65% compared to 2017; a net profit attributable to the Company as the parent of RMB1.695 billion, rising 47.57% from the year earlier; earnings per share of RMB3.37, 47.81% higher than 2017; and net cash generated from operating activities of RMB1.441 billion, going up 54.78% on a year-on-year basis.

I. Overall Business Situation of the Company within the Reporting Period

(I) The marketing and brand construction has been advancing further

1. Two products interact and brand recognition has been improved continuously. The Company continued to follow a strategy of "setting a higher market positioning and meanwhile maintaining a higher quality from the international market to the domestic market, and focusing on both international and domestic market", the products of Gulou brand showed their debut in international high-end activities, walked into Singapore in a global patrol activity where media coverage was intensified, its brand IP was moulded and the value of Gujing Distillery brand was assessed to be as high as RMB101.865 billion.

2. Market construction has been propelled steadily. The Company concentrated its energy in precise market positioning and added its resources continuously centering round improving its dynamic sales, removing its stock, deepening its channels, stabilizing price and cultivating consumption. It endeavored to attract big and strong merchants to build a community of common development for a win-win result between merchants and the manufacturer and speed up the nationwide investment promotion layout. The Company spared no effort driving the Golden Triangle Strategy amid Hubei, Henan and Anhui, optimizing and adjusting its organization structure and the manufacturer-merchant cooperation mode, optimizing its resource allocation, and improving accuracy of capital input and use.

3. Market penetration of the products has been improved all-roundly. It put new version of Aged Original Liquor Series Zhongguoxiang and Gu 20 on the market and launched new series products of Xiaoleizi Liquor Series and Yellow Crane Tower and so on. It upgraded quality of original liquor products all-roundly, highlighted their taste and satisfied the market demands with the fine liquors.

(II) The management tools and methods have been perfected and innovation level has been improved

1. With emphasis laid on key projects, it drove mechanism innovation, process rebuilding and efficiency improvement. It planned earlier, optimized the layout of its production line and its inventory structure, and implemented a new mode of "strategic cooperation plus bid-inviting purchase" all-roundly.

2. It optimized and improved its standardization system and pushed forward its technical, management and operation standardization continuously. It has taken many measures to improve its food safety and quality guarantee capability all-roundly, build a risk prevention and control system and escort quality safety of its products in the whole process. It has made fruitful quality innovation results, and four technical innovation results reached world-leading level, seven technical innovation results won scientific and technological awards at home, and it has applied for 47 national patents and 4 of its scientific and research results have been transformed in the Company.

3. Gathering talents and wisdom, its transformation of development momentum has been accelerated. It has implemented the construction of "two pools" and "two channels" deeply, deepened its dynamic talent use and assessment mechanism, implemented personnel and post interaction and optimization. It has enhanced building of its course system continuously and conducted talent training and cultivation all-roundly and purposefully at many levels.

(III) Informatization construction has been propelled continuously and its business support capability has been enhanced continuously

It has been sticking to high standard and enforceability, selected to cooperate with world-class information system integrators and implementation service providers and planned a digital enterprise information system prudently. It has been driving BPM informatization construction and has built a user-centered uniform office portal, a uniform mobile portal and perfected its one-stop business application platform. Its monitoring upgrade and renovation has been completed and achieved full coverage of key areas and key knots.

(IV) It has safeguarded environment protection bottom-line and created a new situation of safety and environment protection work

The Company has strengthened check and control of potential hazards and propelled implementation of the responsibilities of safe production entities. It has examined and sorted strictly and implemented environment protection and control projects. Safe production of the Company realized "four nones", its major potential safety rectification work has been pushed forward steadily and indices of externally discharged pollutants have been up to the standard steadily.

(V) It has emphasized its political construction and strengthened its anti-corruption education

1. The Company has been sticking to and enhancing the party's leadership, four-aspect awareness, four-aspect self-confidence and intensifying party-and-management-in-one. It has continued enhancing the construction of its party committee, further operating its party construction quality management system in a standardized and scientific manner, it has conducted its education for anti-corruption and occupational warning, and it has strengthened its political and ideological work all-roundly.

2. It has conducted its political warning education deeply and strengthened cultivation of party spirit of party members and party managerial personnel, continued promoting and carrying forward the Nie Guangrong Spirit, breaking through idleness, laziness, reluctance, ruffian and pride, and insisted on advocating merit, morality, diligence, performance and integrity.

(VI) Within the reporting period, the following pressure and shortcomings exist in the Company

1. The whole industry has entered an age of famous liquor brands competing with each other, and the cost and difficulty for competition will be greater.
2. The brand is not strong, and its market exploration still depends on traditional channels.
3. The mechanism obstacle and too many rules and regulations restrain all-round release of its vitality.

II Core Business Analysis

1. Overview

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

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2018	2017	Change (%)
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	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	8,686,140,336.89	100%	6,968,325,048.55	100%	24.65%
By operating division					
Manufacturing	8,686,140,336.89	100.00%	6,968,325,048.55	100.00%	24.65%
By product category					
Distilled spirits	8,519,862,666.82	98.09%	6,822,053,599.85	97.90%	24.89%
Hotel services	86,807,124.18	1.00%	84,238,705.54	1.21%	3.05%
Other	79,470,545.89	0.91%	62,032,743.16	0.89%	28.11%
By operating segment					
North China	436,508,213.35	5.03%	330,003,884.22	4.74%	32.27%
Central China	7,867,207,092.57	90.57%	6,270,100,660.83	89.98%	25.47%
South China	367,741,836.37	4.23%	363,895,263.98	5.22%	1.06%
Overseas	14,683,194.60	0.17%	4,325,239.52	0.06%	239.48%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Manufacturing	8,686,140,336.89	1,932,064,837.65	77.76%	24.65%	17.62%	1.33%
By product category						
Distilled spirits	8,519,862,666.82	1,871,743,548.74	78.03%	24.89%	18.03%	1.28%
Hotel services	86,807,124.18	38,413,320.64	55.75%	3.05%	7.52%	-1.84%
Other	79,470,545.89	21,907,968.27	72.43%	28.11%	4.29%	6.29%
By operating segment						
North China	436,508,213.35	162,547,416.58	62.76%	32.27%	27.25%	1.47%
Central China	7,867,207,092.57	1,647,900,501.51	79.05%	25.47%	19.48%	1.05%
South China	367,741,836.37	116,078,619.93	68.43%	1.06%	-13.82%	5.44%
Overseas	14,683,194.60	5,538,299.63	62.28%	239.48%	497.30%	-16.28%

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

□ Applicable √ Not applicable

(3) Whether Revenue from Physical Sales is Higher than Service Revenue√ Yes ☐ No

Operating division	Item	Unit	2018	2017	Change (%)
Distilled spirits brewage	Sales volume	Ton	82,818.70	84,034.04	-1.45%
	Output	Ton	83,254.25	81,512.19	2.14%
	Inventory	Ton	10,507.81	10,072.26	4.32%

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

☐ Applicable ☒ Not applicable**(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period**☐ Applicable ☒ Not applicable**(5) Breakdown of Cost of Sales**

By operating division

Unit: RMB

Operating division	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Food manufacturing	Direct materials	1,465,613,415.05	75.86%	1,206,208,660.68	73.43%	21.51%
Food manufacturing	Direct labor cost	183,657,819.79	9.51%	168,690,378.21	10.27%	8.87%
Food manufacturing	Manufacturing expenses	134,698,484.31	6.97%	128,448,515.45	7.82%	4.87%
Food manufacturing	Fuels	87,773,829.59	4.54%	82,508,511.22	5.02%	6.38%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period√ Yes ☐ No

Subsidiaries Bozhou Gujing Automobile Transportation Company and Hubei Hechuyuan Trading Co., Ltd. are liquidated during the Reporting Period.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period☐ Applicable ☒ Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,926,682,447.91
Total sales to top five customers as % of total sales of the Reporting Period (%)	22.18%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	816,876,292.40	9.40%
2	Customer B	671,236,086.48	7.73%
3	Customer C	177,047,832.64	2.04%
4	Customer D	157,259,614.57	1.81%
5	Customer E	104,262,621.82	1.20%
Total	--	1,926,682,447.91	22.18%

Other information about major customers:

☐ Applicable ☒ Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	571,734,042.90
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	30.55%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	241,572,847.33	12.91%
2	Supplier B	157,379,332.85	8.41%
3	Supplier C	65,735,684.57	3.51%
4	Supplier D	62,861,266.38	3.36%
5	Supplier E	44,184,911.77	2.36%
Total	--	571,734,042.90	30.55%

Other information about major suppliers:

☐ Applicable ☒ Not applicable

3. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	2,682,535,305.26	2,170,081,383.54	23.61%	
Administrative expense	644,997,046.65	591,058,209.64	9.13%	
Finance costs	-51,572,629.73	-25,927,285.82	-98.91%	Adjustment of investment strategies
R&D expense	23,966,766.04	12,494,749.46	91.81%	Increase in R&D inputs for the Reporting Period

4. R&D Expense

√ Applicable □ Not applicable

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

Achievements in R&D of the Company: 4 technological innovations have reached the international leading level, 7 technological innovations have won domestic science and technology prize, 47 technological innovations have applied for national patent and 4 scientific achievements have been converted in the Company.

Details about R&D expense:

	2018	2017	Change (%)
Number of R&D personnel	968	620	56.13%
R&D personnel as % of total employees	11.63%	7.76%	3.87%
R&D expense (RMB)	224,585,370.62	220,278,527.92	1.96%
R&D expense as % of operating revenue	2.59%	3.16%	-0.57%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

5. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	9,950,615,569.29	7,472,916,271.43	33.16%

Subtotal of cash used in operating activities	8,509,734,283.34	6,542,001,558.65	30.08%
Net cash generated from/used in operating activities	1,440,881,285.95	930,914,712.78	54.78%
Subtotal of cash generated from investing activities	3,530,649,713.30	5,637,814,765.40	-37.38%
Subtotal of cash used in investing activities	4,656,442,207.19	5,770,329,877.85	-19.30%
Net cash generated from/used in investing activities	-1,125,792,493.89	-132,515,112.45	-749.56%
Subtotal of cash used in financing activities	503,616,553.34	302,160,000.00	66.67%
Net cash generated from/used in financing activities	-503,616,553.34	-302,160,000.00	-66.67%
Net increase in cash and cash equivalents	-188,527,761.28	496,239,600.33	-137.99%

Explanation of why any of the data above varies significantly:

☒ Applicable ☐ Not applicable

(1) The net cash generated from/used in operating activities for the Reporting Period is RMB1,440,881,285.92 with a year-on-year increase of 54.78% which mainly caused by increase in cash received from sales of goods and providing of labors.

(2) The net cash generated from/used in investing activities for the Reporting Period is RMB-1,125,792,493.89 with a year-on-year increase of 749.56% which mainly caused by decrease in cash paid for investments.

(3) The net cash generated from/used in financing activities for the Reporting Period is RMB-503,616,553.34 with a year-on-year decline of 66.67% which mainly caused by increase in dividend distribution.

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

☐ Applicable ☒ Not applicable

III Analysis of Non-Core Businesses

☐ Applicable ☒ Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	1,705,760,865.12	13.64%	1,484,088,626.40	14.62%	-0.98%	
Accounts	29,748,068.74	0.24%	22,466,143.06	0.22%	0.02%	

receivable						
Inventories	2,407,306,664.86	19.24%	2,064,130,297.51	20.33%	-1.09%	
Investment property	5,027,228.53	0.04%	5,343,777.33	0.05%	-0.01%	
Long-term equity investments	4,900,000.00	0.04%	0.00	0.00%	0.04%	
Fixed assets	1,763,988,530.56	14.10%	1,792,254,178.56	17.65%	-3.55%	
Construction in progress	93,320,557.56	0.75%	54,496,798.56	0.54%	0.21%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Financial assets at fair value through profit or loss (excluding derivative financial assets)	99,800.76	-161,541.19	0.00	0.00	1,545,690.44	861,057.05	622,892.96
2. Available-for-sale financial assets	517,086,347.91	0.00	-37,399,293.75	0.00	0.00	273,293,946.70	206,393,107.46
Subtotal of financial assets	517,186,148.67	-161,541.19	-37,399,293.75	0.00	1,545,690.44	274,155,003.75	207,016,000.42
Total of the above	517,186,148.67	-161,541.19	-37,399,293.75	0.00	1,545,690.44	274,155,003.75	207,016,000.42
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

□ Yes √ No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value (RMB)	Reason for restriction
Bank deposits	870,000,000.00	Structural fixed time deposits not available in advance and due in three months
Other current assets	18,000,000.00	Pledged for opening bank's acceptance bill
Notes receivable	30,236,900.00	Pledged for opening bank's acceptance bill
Other monetary capital	200,000.00	Opening bill pledge bank deposit receipt
Total	918,436,900.00	

V Investments Made

1. Total Investment Amount

☐ Applicable ☒ Not applicable

2. Major Equity Investments Made in the Reporting Period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

☒ Applicable ☐ Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Beginning carrying value	Gain/losses on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying value	Accounting title	Source of funds
Domestic/overseas stock	000001	PAYH	70,317,243.98	Fair value method	106,943,823.70		-25,087,573.68		81,856,250.02	11,586,297.23	0.00	Available-for-sale financial asset	Self-owned funds

Domestic/overseas stock	601988	ZGYH	44,385,674.20	Fair value method	71,313,507.00		-6,466,716.00		64,846,791.00	6,017,812.54	0.00	Available-for-sale financial asset	Self-owned funds
Funds		GFNSTYR 1 st E Securities Investment Funds	150,000,000.00	Fair value method	127,154,958.08		-564,052.40		126,590,905.68	8,841,868.22	0.00	Available-for-sale financial asset	Self-owned funds
Funds		ZXYSDP 1 st Assets Management Plan	200,000,000.00	Fair value method	211,674,059.13		-5,280,951.67		0.00	10,883,000.00	206,393,107.46	Available-for-sale financial asset	Self-owned funds
Other ending holding securities investments				--								--	--
Total			464,702,918.18	--	517,086,347.91	0.00	-37,399,293.75	0.00	273,293,946.70	37,328,977.99	206,393,107.46	--	--
Disclosure date of the announcement about the board's consent for the securities investment			The Company held the 6 th Meeting of the 8 th Board of Directors on 27 August 2018, reviewed and approved the proposal on carrying out securities investment business										
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)			N/A										

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Connected transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Reverse repurchase of national debt	Naught	No	Reverse repurchase of national debt	0.00	29 March 2018	8 January 2019	5,000	49,970	36,980		17,990	2.37%	60.27
Total				0.00	--	--	5,000	49,970	36,980		17,990	2.37%	60.27
Capital source for derivative investment				Company's own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				30 August 2013									
Disclosure date of shareholders' meeting announcement approving derivative investment (if any)													
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System.									
Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)				Naught									

Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period	Naught
Opinion of independent directors on derivative investments and risk control	Based on the sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds; in order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting; the derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, agreed the Company to develop the derivative Investment business of reverse repurchase of national debt not more than the limit of RMB0.3 billion.

5. Use of Funds Raised

☐ Applicable ☒ Not applicable

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Major Subsidiaries

√ Applicable □ Not applicable

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

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Bozhou Gujing Sales Co., Ltd	Subsidiary	Wholesales of distilled spirit, construction materials, feeds and assistant materials	84,864,497.89	3,093,871,785.99	140,938,134.68	7,597,867,645.42	1,157,643,625.54	814,144,514.42
Anhui Longrui Glass Co., Ltd	Subsidiary	Manufacture and sale of glass products	86,660,268.98	289,315,723.90	243,090,486.00	230,615,365.63	44,064,402.64	37,251,729.78
Yellow Crane Tower Wine Industry Co., Ltd	Subsidiary	Production and sales of distilled spirit	400,000,000.00	926,907,099.60	579,184,692.84	866,368,765.24	130,155,107.42	99,302,371.57
Shanghai Gujing	Subsidiary	Hotel management	54,000,000.00	202,284,926.94	78,654,052.34	78,518,073.84	15,104,828.31	10,155,476.95

Gujinggong Liquor  Aged Original Liquor

Annual Report 2018

Jinhao Hotel Management Co., Ltd.		and house lease						
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Subsidiaries obtained or disposed in the Reporting Period:

√ Applicable ☐ Not applicable

Subsidiaries Bozhou Gujing Automobile Transportation Company and Hubei Hechuyuan Trading Co., Ltd. were liquidated in the Reporting Period.

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Prospects

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

1. The industry returns to rationality and growth speed slows down

The liquor and spirits industry is polarized continuously, and the famous liquor and spirits enterprises represented by Moutai will grow continuously, but their growth paces will slow down and return to a rational growth. On the other hand, thanks to rise of cost of medium and small sized liquor and spirits enterprises, squeezing of the market and low-end influence on brands will worsen their business environment further.

2. The trend of consumption upgrade and industrial concentration remain unchanged

On the background of consumption upgrade, a structural change is undergoing for consumption demands, consumption is polarizing and boosting new consumers becomes the key. The supply-side reform of liquor and spirits industry is being deepened, higher rate of quality to price for famous liquor and spirit will be provided, and adapting to the trend of consumption upgrade becomes a common choice of enterprises. At the same time, consumption upgrade is also sinking to cities of lower levels, return of population to cities of lower levels becomes a trend, and consumption upgrade of tier-3 and tier-4 cities is accelerating. Moreover, famous liquor and spirits enterprises all over the country further squeeze local enterprises through means of price, direct competition and merger and acquisition between enterprises, and industrial concentration is further intensified.

3. The industry enters a famous liquor competition stage and capital input will be intensified

In 2019, with growth speed of the industry slowing down, competition among famous liquor and spirits brands will be keener, and higher requirements are put forth for brand recognition and channel influence of enterprises. Many liquor enterprises conduct delicate management for channels, attach importance to terminals, and enlarge capital input and improve their brand recognition to ensure their growth.

4. With construction of digitalized enterprises being accelerated, the liquor and spirits industry is exploring new retail and new scenario applications

In recent years, with rapid development of internet technologies covering IOT, mega-data and cloud computing, all walks of life are accelerating their construction of digitalized enterprises and they are exploring new retail and new scenarios constantly. While the internet is changing the life style and consumption habit of people gradually, it is replacing the traditional offline store marketing mode gradually, and becoming a must road for transformation and upgrade of many industries. The development mode of "internet + wine" has become a key point of the layout of liquor enterprises and distributors. With advent of the times of mass consumption, consumers pay more attention to performance versus cost ratio, their brand awareness is enhancing, consumption distribution demonstrates characteristics of being wide, scattered and of many levels, and consumption habit becomes diversified. In the future, it becomes an inevitable trend for development of the liquor and spirits industry that the enterprises should satisfy the more personalized consumption demands of users through digitalized marketing and innovation.

(II) Development Strategy of the Company

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

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

2. Firmly boost reform and innovation strategy

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

3. Firmly create "Talent Highland" strategy

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

4. Firmly boost the strategy of integration of Party governance

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

(III) Operating Revenue Plan of the Company in 2019

In 2019, the Company plans to achieve an operating revenue of RMB10.226 billion, rising 17.74% compared with that of last year; and achieve a total profit of RMB2.515 billion, rising 6.19% compared with that of last year.

(IV) Operating Risk of the Company

1. The adverse effect of the systematic risk in macro-economic environment on the development of the industry and the Company.
2. Impact of industrial policy adjustment and change on the sustainable development of the Company.
3. Impact of the change of consumption behaviors and habits on the consumption crowds and trend replacement of distilled spirits.

(V) Operating Measures

1. Marketing

Centering round the brand rejuvenation project of Gujing Distillery, promote market balance and lay a solid foundation of the base, and speed up nationalization pace of Gujing Distillery. In terms of brand construction, set a higher market positioning and meanwhile maintain a higher quality from the international market to the domestic market, strengthen the promotion at home and abroad, and apply internet thoughts to integrate brand promotion systematically. Centering round the project of emerging customers, strengthen investment promotion at home and abroad, do well the management, training and service work of customers and development and maintenance of new customers, and push forward globalization of liquor and spirits. Centering round consumption scenarization, build first-rate cultural and consumption experience halls, improve middle-end experience, online and offline integration, enhance interaction and intelligence of experience shops, enhance loyalty of members and realize close-loop marketing.

2. Product Management

Continuously boost intelligent and green brewing process, enhance information, scientific and systematic management of product quality, lay a solid foundation for quality management. And continuously strengthen the research on health factors in distilled spirits. Continue to deeply boost product, technology and operation standardization and lay a solid foundation for the Company to implement automation and intellectualization.

3. Management Innovation

Centering round the users, build a digitalized Gujing. With information linking the management system, consolidate management contexts, optimize business efficiency and build an intelligent management enterprise. Implement integration of industry and finance, transform its financial management mode and build a close-loop financial sharing platform. With the key laid on pushing forward construction of ERP system, build an integrated enterprise management platform and achieve concentrated management, control and operation. Speed up pushing forward digitalized marketing projects of sales Company, pushing forward digitalized transformation of marketing, improve the system's support for core business, speed up optimization of information architecture and e-commerce advancement. Explore internal innovation incentive mechanisms actively, build a tiny enterprise platform and a profit making center and arouse the passion and motivation of staff members in their business starting and innovation.

4. Human Resource

Optimize construction of the talent team, deepen the construction of "artisan pool", "elite pool", "management channel" and "technical channel", optimize assessment of various levels and personnel management work, implement the flexible employment mechanism and improve the multi-level talent cultivation system, further improve the assessment and appraisal system and incentive and restraint mechanism for various kinds of talents.

5. Corporate Cultural Construction

Implementing the party construction principle of "grasp party construction work and promote development centering round business operation" and the core values of "being honest, offering quality liquor, being stronger and being helpful to the society", deepen party construction work and construction of corporate culture, and play the guiding and promotion role of party construction and culture in corporate development. Conduct the education of anti-corruption and occupational warning, enhance ideological and political work all-roundly and build a firm ideological defense. Guided by party construction and motivated by red army's history, concentrate energy for promoting development.

In 2019, the board of directors of the Company will go on carrying out the spirit of the 19th National Congress of the Communist Party of China, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, with "Five modernization" and "Six projects" as the construction drawings, advance Liquor and Spirits 5.0 Strategy, improve the enterprise management level further, stimulate motive force of talents, go ahead steadily and surely to ensure transformation and upgrade of the enterprise, achieve a continuous, steady, sound and high-quality development and work hard for achieving a new digitalized, globalized and legalized Gujing.

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

1. During the Reporting Period

☐ Applicable ☒ Not applicable

Part V Significant Events

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

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

√ Applicable ☐ Not applicable

The 2017 Annual General Meeting held on 22 May 2018 reviewed and approved the Company's Interest Distribution Scheme in 2017 that based on the total shares of 503,600,000 of the Company on 31 December 2017, cash dividends was distributed at RMB10.00 per 10 shares (tax inclusive), and the total cash dividends distributed was RMB503,600,000.00 (tax inclusive).

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

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

1. 2016 profit distribution plan of the Company: distribute the cash of RMB6.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves;
2. 2017 profit distribution plan of the Company: distribute the cash of RMB10.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves;
3. 2018 profit distribution plan of the Company: distribute the cash of RMB15.00 (tax inclusive) for every 10 shares without bonus issue from capital reserves.

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
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		statements for the year (B)					
2018	755,400,000.00	1,695,231,643.05	44.56%	0.00	0.00%	755,400,000.00	44.56%
2017	503,600,000.00	1,148,740,644.93	43.84%	0.00	0.00%	503,600,000.00	43.84%
2016	302,160,000.00	829,630,063.38	36.42%	0.00	0.00%	302,160,000.00	36.42%

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

☐ Applicable ☒ Not applicable

II Final Dividend Plan for the Reporting Period

☒ Applicable ☐ Not applicable

Bonus issue from capital reserves for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	15.00
Bonus issue from profit for every 10 shares (share)	0
Total shares as the basis for the final dividend plan (share)	503,600,000
Total cash dividends (RMB) (tax inclusive)	755,400,000.00
Distributable profits (RMB)	5,162,354,747.41
Percentage of cash dividends to the total distributed profits	100%
Particulars about the cash dividends	
The minimum proportion of cash dividend to this profit distribution should be 40% when the Company distributed the profits under the condition that the Company was in mature stage with large capital cost.	
Details of final dividend plan for the Reporting Period	
The Company planned to distribute the dividends of RMB755,400,000.00 at RMB15.00 (tax inclusive) per 10 shares based on the total share capital at period-end of 503,600,000 shares. There is no bonus issue from profit and bonus issue from capital reserves in the Reporting Period.	

III Fulfillment of Commitments

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

☒ Applicable ☐ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment	Term of commitment	Fulfillment
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				making		
Commitments made in acquisition documents or shareholding alteration documents	Anhui Gujing Distillery Company Limited	Performance commitment	The Company promised that Yellow Crane Tower Distillery Co., Ltd. would realize the operating revenue of RMB1,006.25 million (tax inclusive) and the net profit margin would be not lower than 11.00% in 2018.	29 April 2016	Y2017-Y2021	Fulfilled in 2018
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	N/A					

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

Unit: RMB'0,000

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

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

The realization of commitment on performance in the single statement of Yellow Crane Tower Distillery in 2018 is as follows:

Unit: RMB'0,000

Item	Actual amount	Promised amount	Difference	Completion rate
Operating revenue (tax	100,696.87	100,625.00	71.87	100.07%

inclusive)				
Net profit	9,930.24	9,514.84	415.40	104.37%
Net profit ratio	11.46%	11.00%	0.46%	104.19%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

☒ Applicable ☐ Not applicable

The Ministry of Finance enacted the Notice on Revising and Printing Formats of Financial Statements for General Enterprises in 2018 (CK [2018] No. 15) on 15 June 2018 which was required to be implemented as of the date of promulgation. The Company starts to carry out the aforesaid accounting standards as required by the Ministry of Finance.

No.	Contents and reasons	Name and amount of item materially influenced
1	(1) As for the balance sheet, "note receivable" and "accounts receivable" were incorporated into "notes receivable and accounts receivable"; "interest receivable" and "dividends receivable" were incorporated into "other receivables"; "liquidation of fixed assets" was incorporated into "fixed assets"; "engineering materials" was incorporated into "construction in progress"; "notes payable" and "accounts payable" were incorporated into "notes payable and accounts payable"; "interest payable" and "dividends payable" were incorporated into "other payables"; "specific payables" was incorporated into "long-term payables". The comparative data were adjusted correspondingly.	The "note receivable" and "accounts receivable" were incorporated into "notes receivable and accounts receivable", the combined amount of the Reporting Period was RMB1,377,175,880.08 and that of last year was RMB743,077,269.84; "interest receivable" and "dividends receivable" were incorporated into "other receivables", the combine amount of the Reporting Period was RMB43,342,878.22 and that of last year was RMB29,273,284.22; "engineering materials" was incorporated into "construction in progress", the combined amount of the Reporting Period was RMB93,320,557.56 and that of last year was RMB54,496,798.56; "notes payable" and "accounts payable" were incorporated into "notes payable and accounts payable", the combined amount of the Reporting Period was

No.	Contents and reasons	Name and amount of item materially influenced
		RMB834,156,012.31 and that of last year was RMB636,365,039.83; “interest payable” and “dividends payable” were incorporated into “other payables”, the combined amount of the Reporting Period was RMB1,192,020,147.82 and that of last year was RMB1,032,543,553.34.
2	(2) As for the income statement, the item of “R&D expense” was added and filled in with data of R&D expense originally classified into “administrative expense”; items of “of which: interest expense” and “interest income” were added under the item of “finance costs”. The comparative data were adjusted correspondingly.	The “administrative expense” for the Reporting Period and for last year were respectively decreased RMB23,966,766.04 and RMB12,494,749.46 which were reclassified into “R&D expense”.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

☒ Applicable ☐ Not applicable

Subsidiaries Bozhou Gujing Automobile Transportation Company and Hubei Hechuyuan Trading Co., Ltd. were liquidated during the Reporting Period.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ruihua CPAs (LLP)
The Company's payment to the domestic independent auditor (RMB'0,000)	160
How many consecutive years the domestic independent auditor has provided audit service for the Company	6
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Ou Changxian, Gao Qiang
How many consecutive years the certified public accountants have provided audit service for the Company	It is the first year for both Mr. Ou Changxian and Mr. Gao Qiang to provide audit service for the Company

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

The Company engaged Ruihua CPAs (LLP) as the internal control auditor in 2018.

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

☐ Applicable ☒ Not applicable

XI Insolvency and Reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIII Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVI Major Related-Party Transactions

1. Continuing Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Other Major Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leases

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Major guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

√ Applicable □ Not applicable

Overview of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue unrecovered amount
Trust financial products	Self-owned funds	125,000	30,000	0.00
Bank financial products	Self-owned funds	237,000	224,000	0.00
Broker financial products	Self-owned funds	41,000	0.00	0.00
Others	Self-owned funds	51,708	37,990	0.00
Total		454,708	291,990	0.00

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

Unit: RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Capital resource	Start date	End date	Use of fund	Determination method of remuneration	Annual yield for reference	Estimated profit (if any)	Amount of actual profit or loss in Reporting Period	Actual recovery of profit or loss in Reporting Period	Allowance for impairment (if any)	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any)
CITIC Wings Asset Management Company Limited	Limited Liability Company	Fund	20,000	Self-owned funds			Purchasing new shares offline, products with fixed earnings, reverse repurchase of national debt,	1.2% of products' net value and 20% of excess earnings	7.00%		1,088.30	N/A		Yes	Yes	

							and etc.									
Total			20,000	--	--	--	--	--	--		1,088.30	--		--	--	--

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

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company disclosed Social Responsibilities Report of Enterprises for 2018 on 27 April 2019. (for details, see <http://www.cninfo.com.cn>)

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

In accordance with the "organizations are responsible for villages and individuals are responsible for families" poverty alleviation work arrangement of Bozhou Municipal Party Committee, the Company has established targeted support towards 176 poor families in Bali village, Yanglou village and Wuma village, Wuma town, Qiaocheng District, Bozhou. The Company performs poverty alleviation responsibility, sends relevant personnel to the poverty villages regularly or irregularly for investigation, organizes and holds forum regularly, gathers advices from the villagers and comes up with specific solutions to the practical difficulties and problems in the poor villages and poor families.

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

① Providing poverty alleviation employment post. In accordance with the actual production situation of the Company, the Company provides employment posts with relaxed conditions for children of poor families in three targeted poor administrative villages in Wuma town. At present, 6 children of poor families have been employed by Gujing group and realized their aspirations for stable economic income.

② Charity sales and support poverty relief were conducted. The Company conducted product charity sale activities to support the poverty relief work of Wuhu, Lu'an, Anqing, Tongling, six counties under Hefei, Tongcheng, Suzhou and Fuyang, and the accumulated fund from charity sales reached RMB1,233,500.

③ A student aid activity of "loving-care Gujing passes on true love" was conducted. The Company sent 556 books and 144 sets of sports articles to the children of Bali Village Primary School, Dali Primary School, Yanglou Village Primary School and Wuma Village Primary School on the Children's Day.

(3) Subsequent Plans

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

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

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

3. Issues Related to Environmental Protection

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

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Anbui Gujing Distillery Co., Ltd.	COD	Directly discharge	3	Gujing plant Zhangji plant Headquarter plant	32.80mg/L 47.15mg/L 72.11mg/L	$\leq 100\text{mg/L}$	151.55t	155.05t	Naught
Anbui Gujing Distillery Co., Ltd.	NH ₃ -N	Directly discharge	3	Gujing plant Zhangji plant Headquarter plant	2.27mg/L 4.54mg/L 7.43mg/L	$\leq 10\text{mg/L}$	14.55t	15.53t	Naught
Anbui Gujing Distillery Co., Ltd.	Smoke	Organized discharge through chimney	3	Gujing plant Zhangji plant	26.86mg/m ³ 57.58mg/m ³ 40.39mg/m ³	$\leq 80\text{mg/m}^3$	38t	--	Naught

				Headquarter plant					
Anbui Gujing Distillery Co., Ltd.	Sulfur Dioxide	Organized discharge through chimney	3	Gujing plant Zhangji plant Headquarter plant	208.53mg/m ³ 198.51mg/m ³ 193.01mg/m ³	$\leq 400\text{mg/m}^3$	198.2t	--	Naught
Anbui Gujing Distillery Co., Ltd.	Nitrogen oxide	Organized discharge through chimney	3	Gujing plant Zhangji plant Headquarter plant	213.94mg/m ³ 237.34mg/m ³ 215.58mg/m ³	$\leq 400\text{mg/m}^3$	217.2t	--	Naught
Anhui Longrui Glass Co., Ltd	Smoke	Organized discharge through chimney	3	No. 1 furnace No. 2 furnace No. 3 furnace	41.76mg/m ³ 32.62mg/m ³ 37.60mg/m ³	$\leq 200\text{mg/m}^3$	10.18t	--	Naught
Anhui Longrui Glass Co., Ltd	Sulfur Dioxide	Organized discharge through chimney	3	No. 1 furnace No. 2 furnace No. 3 furnace	56.8mg/m ³ 149.27mg/m ³ 134.21mg/m ³	$\leq 850\text{mg/m}^3$	33.86t	--	Naught
Anhui Longrui Glass Co., Ltd	Nitrogen oxide	Organized discharge through chimney	3	No. 1 furnace No. 2 furnace No. 3 furnace	395.18mg/m ³ 409.07mg/m ³ 255.98mg/m ³	$\leq 700\text{mg/m}^3$	89.64t	--	Naught

Construction and operation of facilities for preventing pollution:

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

(1) In-depth treatment and renovation has been made for the sewage treatment station of Zhangji Plant under Anhui Gujing Distillery Co., Ltd, the original IC anaerobic jar, oxidization ditch and secondary clarifier sewage treatment process has been changed into IC anaerobic jar, improved A²O and in-depth treatment process, and the budgeted investment of the project is about RMB8 million. Currently its renovation has been completed and it is being commissioned. Its sewage treatment capacity is about 600 tons per day. The sewage is discharge after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

(2) The sewage treatment capacity of the sewage treatment station of the headquarters of Anhui Gujing Distillery Co., Ltd is about 4300 tons per day. IC anaerobic jar, A₂O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

(3) The sewage treatment capacity of the sewage treatment station of Gujing Subsidiary under Anhui Gujing Distillery Co., Ltd is about 2300 tons per day. IC anaerobic jar, A₂O and in-depth treatment process is adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry.

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

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

(1) The flue gas control facilities of thermal power stations of the Headquarters and Gujing Subsidiary of Anhui Gujing Distillery Company Limited run well, waste gas is discharged through the 80-meter-tall exhaust funnel after the waste gas treatment is up to the standard, and discharge of flue gas meets the requirements for coal-fired boiler in Table 1 of GB13271-2014 Emission Standard of Air Pollutants for Industrial Kiln and Furnace. In June, 2018, a super-low discharge renovation project was started, and the process of cloth-bag dust removal (original)+Limestone-Wet flue gas Desulfurization (renovated) +SNCR Denitrification by non-catalytic reduction (original) + SCR Denitrification by catalytic reduction (newly added) + Wet electrostatic precipitator (newly added) has been adopted, and it has passed the environment assessment and approval of the Municipal Environment Protection Bureau on 2 August 2018, and it is now being renovated.

(2) A coal-to-gas project has been started for the thermal power station of Zhangji Plant under Anhui Gujing Distillery Company Limited, and it is being renovated now, and the original boiler runs normally. The process of cloth-bag dust removal +Desulfurization in limestone furnace+SNCR Denitrification by non-catalytic reduction has been adopted, waste gas is discharged through the 45-meter-tall exhaust funnel after the waste gas treatment is up to the standard, and discharge of flue gas meets the requirements for coal-fired boiler in Table 1 of GB13271-2014 Emission Standard of Air Pollutants for Industrial Kiln and Furnace.

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

In 2018, the environment protection facilities of Anhui Gujing Distillery Company Limited and its subsidiaries ran normally in general, main pollutants can achieve up-to-standard discharge, environment information is opened to the public normally, and they have performed their social responsibilities properly.

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

No.	Item	Category of EIA	EIA approval (filing) time	EIA approval (filing) number
1	The technical renovation project of automatic 3-D fermentation intelligent brewing workroom	EIA report form	28 March 2018	BHB [2018] No. 18
2	The technical upgrade and renovation project of boiler's flue gas super-low emission	EIA report form	2 August 2018	BHB [2018] No. 49
3	The in-depth treatment and renovation project for sewage	EIA report form	27 August 2018	BHB [2018] No. 48

	treatment station in Zhangji Plant area			
4	The automatic technical renovation project for intelligent logistic and warehousing	EIA registration form	24 October 2018	201834160200000803
5	The sewage treatment station peculiar smell control project	EIA registration form	22 November 2018	201834160200000857
6	The boiler's coal-to-gas project in Zhangji Plant area of Anhui Gujing Distillery Company Limited	EIA registration form	22 November 2018	201834160200000858

Emergency plan for sudden environment affairs

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

Environmental self-monitoring scheme

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

Other environment information that should be disclosed

Naught

Other related environment protection information

Naught

XIX Other Significant Events

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XX Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

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

Reasons for share changes:

☐ Applicable ☒ Not applicable

Approval of share changes:

☐ Applicable ☒ Not applicable

Transfer of share ownership:

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☐ Applicable ☒ Not applicable

II. Issuance and Listing of Securities

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Existing Staff-Held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	29,761	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	20,097	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Non-restricted shares held	Shares in pledge or frozen	
							Status	Shares
ANHUI GUJING GROUP COMPANY LIMITED	State-owned legal person	53.89%	271,404,022			271,404,022	In pledge	114,000,000
NORGES BANK	Foreign legal person	2.58%	12,975,637			12,975,637		
GAOLING	Foreign legal	2.47%	12,446,408			12,446,408		

FUND,L.P.	person							
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	1.59%	7,990,369			7,990,369		
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	Other	1.49%	7,485,278			7,485,278		
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	Foreign legal person	1.41%	7,096,361			7,096,361		
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.30%	6,543,600			6,543,600		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	1.12%	5,657,150			5,657,150		
UBS (LUX) EQUITY FUND - GREATER CHINA (USD)	Foreign legal person	0.84%	4,214,618			4,214,618		
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	0.82%	4,129,038			4,129,038		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties among the shareholders above	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a connected party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in							

	Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are connected parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		
Top 10 non-restricted shareholders			
Name of shareholder	Non-restricted shares held at the period-end	Shares by type	
		Type	Shares
ANHUI GUJING GROUP COMPANY LIMITED	271,404,022	RMB ordinary share	271,404,022
NORGES BANK	12,975,637	Domestically listed foreign stock	12,975,637
GAOLING FUND,L.P.	12,446,408	Domestically listed foreign stock	12,446,408
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	7,990,369	Domestically listed foreign stock	7,990,369
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	7,485,278	RMB ordinary share	7,485,278
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	7,096,361	Domestically listed foreign stock	7,096,361
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	6,543,600	RMB ordinary share	6,543,600
GREENWOODS CHINA ALPHA MASTER FUND	5,657,150	Domestically listed foreign stock	5,657,150
UBS (LUX) EQUITY FUND - GREATER CHINA (USD)	4,214,618	Domestically listed foreign stock	4,214,618
Hong Kong Securities Clearing Company Ltd.	4,129,038	RMB ordinary share	4,129,038
Related or acting-in-concert	Among the shareholders above, the Company’s controlling shareholder—Anhui Gujing Group		

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

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

☐ Yea ☒ No

No such cases in the Reporting Period.

2. Controlling Shareholder

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

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
ANHUI GUJING GROUP COMPANY LIMITED	Liang Jinhui	16 January 1995	91341600151947437P	Making beverage, construction materials and plastic products, etc.
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	The controlling shareholder ANHUI GUJING GROUP COMPANY LIMITED directly holds 100,000,000 shares of Huaan Securities Co., Ltd. owning the proportion of shares of 2.76%.			

Change of the controlling shareholder in the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Information about the Actual Controller

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

Type of the actual controller: legal person

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

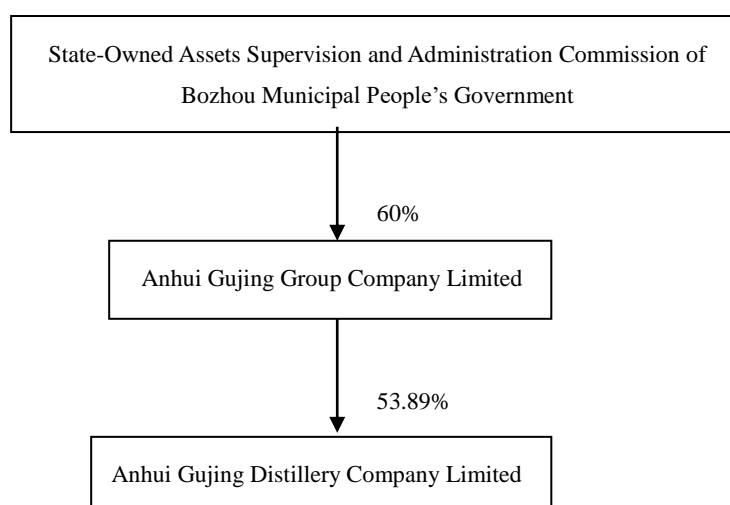
Commission of the People's Government of Bozhou				
Other listed companies at home or abroad controlled by the actual controller in the Reporting Period	N/A			

Change of the actual controller during the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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



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

☐ Applicable ☒ Not applicable

4. Other 10% or Greater Corporate Shareholders

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liang Jinhui	Chairman of the Board	Incumbent	Male	53	20 June 2017	19 June 2020					
Li Peihui	Director	Incumbent	Male	46	20 June 2017	19 June 2020					
Zhou Qingwu	Director, GM	Incumbent	Male	45	20 June 2017	19 June 2020					
Yan Lijun	Director, Executive Deputy GM	Incumbent	Male	46	20 June 2017	19 June 2020					
Xu Peng	Director, Deputy GM	Incumbent	Male	49	20 June 2017	19 June 2020					
Ye Changqing	Director, Deputy GM, Chief Accountant, Secretary of the Board	Incumbent	Male	45	20 June 2017	19 June 2020					
Wang Gao	Independent director	Incumbent	Male	54	20 June 2017	19 June 2020					
Song Shuyu	Independent director	Incumbent	Male	57	20 June 2017	19 June 2020					
Du Jie	Independent	Incumbent	Male	49	20	19					

	t director				June 2017	June 2020					
Wang Feng	Chairman of the Supervisor y Committee	Incumbent	Male	54	20 June 2017	19 June 2020					
Yang Xiaofan	Supervisor	Incumbent	Male	52	20 June 2017	19 June 2020					
Fu Qiangxin	Supervisor	Incumbent	Male	50	20 June 2017	19 June 2020					
Zhang Bo	Employee supervisor	Incumbent	Male	54	20 June 2017	19 June 2020					
Wang Zibin	Employee supervisor	Incumbent	Male	49	20 June 2017	19 June 2020					
Zhang Lihong	Deputy GM	Incumbent	Male	51	20 June 2017	19 June 2020					
Zhu Xianghong	GM assistant	Incumbent	Male	45	20 June 2017	19 June 2020					
Gao Jiakun	GM assistant	Incumbent	Male	49	20 June 2017	19 June 2020					
Total	--	--	--	--	--	--					

II Change of Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

III Biographical Information

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

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

2. Mr. Li Peihui, male, born in July 1973, is a holder of master degree. He is a senior accountant, CPA and member of national leading accounting talents. At present, he acts as the Company's Vice Secretary of CPC and president of Gujing Group. He had ever served as deputy GM and GM of Financial Department, deputy chief accountant, chief accountant, Secretary of Board of Directors and Director of the Company; Chairman of the Board of Anhui Ruijing Business Travel Group Co. and Anhui Huixin Financial Investment Group; executive vice president and CFO of Gujing Group; and director of the 7th Board of Directors.
3. Mr. Zhou Qingwu, male, born in February 1974, is a senior accountant and national chief sommelier with educational experience of graduate student. At present, he is Director and General Manager of the Company, Vice Secretary of CPC of Gujing Group. He had ever acted as Chairman and General Manager of Bozhou Gujing Packing Material Co., Ltd., Deputy GM and deputy executive GM of the Company and Director of the 5th, 6th and 7th Board of Directors of the Company.
4. Mr. Yan Lijun, male, June 1973, is a holder of master degree with Senior Taster. Now he is Director, Executive Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board and GM of Bozhou Gujing Sales Co., Ltd. He once worked as a salesman of Sale Company, District Manager, Director of Market Research, Vice Manager of Planning Department, Director of Hefei Strategic Operations Center, Vice GM and director of the 7th Board of Directors of the Company.
5. Mr. Xu Peng, male, born in September 1970, has educational experience of undergraduate college. He is the Director and Deputy GM of the Company, member of CPC Committee of Gujing Group, and Chairman of the Board of Yellow Crane Tower Liquor Industry Co., Ltd. He had ever acted as Deputy Director and Director of Finance Second Office of Finance Department of the Company, Manager of Finance Department of Anhui Laobada Co., Ltd., Vice Manager and Manager of Finance Department of the Company, Deputy General Manager and Chief Supervisor of Market Supervision Department of Bozhou Gujing Sales Company, Chairman of the Supervisory Committee of the Company, and Chairman of the 7th Board of Directors.
6. Mr. Ye Changqing, male, born in October 1974, is a member of national leading accounting talents (back up) with master degree and International Certified Internal Auditor. He is the incumbent Director, Deputy GM, Chief Accountant and Secretary of Board of Directors of the Company. He had ever acted as Chief Auditor of Audit Department, Vice Manager of Audit Department and Vice Supervisor and Supervisor of Auditing & Supervision Department; and Supervisor of the 4th Supervisory Committee of the Company; Director and Secretary of the 5th, 6th, and 7th Board of Directors, and Chief Accountant of the Company.
7. Wang Gao, Male, born in April 1965, Doctor of Sociology, Professor of Marketing and vice dean in China Europe International Business School., Academic Director of Chief Marketing Officer (CMO) Project, Co-Director of Chinese Enterprise Globalization Research Center and independent director of GOME Holdings Co., Ltd.. He once worked as Associate Professor, Deputy Dean of Department of Marketing in School of Economics and Management, Tsinghua University, deputy director of China's Retail Research Center Academic Director of Harvard - central Europe - Tsinghai university senior managers (SEPC) project. Strategic Analysis Manager of Minute Maid Branch of Coca-Cola Company and senior counselor of The Information Resources Co., Ltd. (IRI).
8. Song Shuyu, male, born in November 1962, is Senior Engineer and Master of Chinese Wine with educational experience of graduate student. Now, he is Deputy President and Secretary General of China Alcoholic Drinks Association, Secretary-general of Liquor Branch Association, Secretary General of Market Professional Committee, Secretary General of White Wine Club Technical Committee, specialist who enjoy the special allowance of the state council. He also is member of Chinese liquor standardization technical committee, Deputy Secretary General of strong-flavor, Feng-flavour, soybean-flavor and rice flavour Liquor Technical Committee of Chinese Liquor Standardization Technical Committee, Chairman of Committee of Te-flavour Chinese spirits and Laobaigan-flavour Chinese spirits standardization technical committee.
9. Mr. Du Jie, male, born in December 1970 is a senior accountant with postgraduate degree, CPA and CTA. Now he is a advisory service leading partner of Huapu Tianjian Certified Public Accountants (LLP), internal control advisory expert specially hired by Anhui Provincial Department of Finance, managing accounting advisory expert specially hired by Beijing Municipal Bureau of Finance, expert talent in Beijing CPA, master tutor specially hired by Business School of Anhui University, independent director of Shaanxi Bicon Pharmaceutical Company Limited, Beijing NAV Technology Co., Ltd., and Tianjin Lishen Battery Joint-stock Co., Ltd. He once acted as senior manager in Business Risk Service Division of Deloitte & Touche and advisory expert in business

internal control specially hired by the Ministry of Finance.

10. Mr. Wang Feng, male, born in October 1965, is Senior Economic Engineer who is postgraduate degree holder, incumbent Deputy Secretary of CPC of Gujing Group and Secretary of Discipline Inspection Commission. He had ever acted as Director and Secretary of the Second Board of Directors of the Company, Vice General Manager and General Manager of the Company, Director and Chairman of the 3rd and 4th Board of Directors of the Company, Director of the 5th, 6th, and 7th Board of Directors, and Chairman of the 7th Supervisory Committee of the Company.

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

12. Mr. Fu Qiangxin, male, born in October 1969, is a senior accountant and international certified internal auditor with bachelor degree. Now he serves as Supervisor of the Company and GM of Anhui Huixin Finance Investment Group Co., Ltd. He ever took posts of accountant of Bozhou Gujing Hotel, Manager of Finance of Bozhou Gujing Integrated Services Company and Bozhou Gujing Import and Export Trade Company, clerk of Planning and Finance Department, Chief Inspector of Internal Audit Center and Director of Financial Management Center of Gujing Group and Supervisor of the 6th and 7th Supervisory Committee of the Company.

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

14. Mr. Wang Zibin, was born in August 1970 with college degree, CIA and CPA. Now he is Employee Supervisor of the Company, Deputy Secretary of Commission for Discipline and Inspection and Director of Audit and Supervisory Centre of Gujing Group. He once served as GM of Auditing Department of Gujing Group, vice director of Hefei marketing centre of Bozhou Gujing Sales Company and Supervisor of the 7th Supervisory Committee of the Company.

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

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

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

Offices held concurrently in shareholding entities:

☒Applicable ☐Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liang Jinhui	Anhui Gujing Group Co., Ltd.	Chairman of	1 May 2014		Yes

		the Board of Directors, Chairman of Party Committee			
Li Peihui	Anhui Gujing Group Co., Ltd.	Deputy Chairman of Party Committee, President	31 October 2017		Yes
Wang Feng	Anhui Gujing Group Co., Ltd.	Deputy Chairman of Party Committee, Chairman of Discipline Inspection Committee	1 August 2010		Yes
Yang Xiaofan	Anhui Gujing Group Co., Ltd.	Vice President, member of the Party Committee	1 November 2009		Yes
Zhang Bo	Anhui Gujing Group Co., Ltd.	Chairman of the Labor Union	16 October 2015		Yes
Wang Zibin	Anhui Gujing Group Co., Ltd.	Deputy Chairman of Discipline Inspection Committee, Director of Auditing & Supervision Center	27 April 2015		Yes
Notes	The above-mentioned personnel, though they take posts in shareholders' entities, comply with the relevant employment requirements of Company Law, Securities Law and never disciplined by CSRC, other relevant departments and the Stock Exchange.				

Offices held concurrently in other entities:

√Applicable □Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from
------	--------------	---------------------------	-----------------	---------------	--------------------------------

					the entity
Fu Qiangxin	Anhui Huixin Finance Investment Group Co., Ltd.	GM	27 November 2017		Yes
Notes	Anhui Huixin Finance Investment Group Co., Ltd. is a wholly-owned subsidiary of Anhui Gujing Group Co., Ltd.				

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

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

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

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

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

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

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

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

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

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liang Jinhui	Chairman of the Board	Male	53	Incumbent		Yes
Li Peihui	Director	Male	46	Incumbent		Yes
Zhou Qingwu	Director, GM	Male	45	Incumbent	84.87	No
Yan Lijun	Director, Executive Deputy GM	Male	46	Incumbent	253.32	No
Xu Peng	Director, Deputy GM	Male	49	Incumbent	88.56	No
Ye Changqing	Director, Deputy GM, Chief	Male	45	Incumbent	94.86	No

	Accountant , Secretary of the Board					
Wang Gao	Independent director	Male	54	Incumbent	7.5	No
Song Shuyu	Independent director	Male	57	Incumbent	7.5	No
Du Jie	Independent director	Male	49	Incumbent	7.5	No
Wang Feng	Chairman of the Supervisory Committee	Male	54	Incumbent		Yes
Yang Xiaofan	Supervisor	Male	52	Incumbent		Yes
Fu Qiangxin	Supervisor	Male	50	Incumbent		Yes
Zhang Bo	Employee supervisor	Male	54	Incumbent		Yes
Wang Zibin	Employee supervisor	Male	49	Incumbent		Yes
Zhang Lihong	Deputy GM	Male	51	Incumbent	101.68	No
Zhu Xianghong	GM assistant	Male	45	Incumbent	241.21	No
Gao Jiakun	GM assistant	Male	49	Incumbent	82.84	No
Total	--	--	--	--	969.84	--

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

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	5,786
Number of in-service employees of major subsidiaries	2,537
Total number of in-service employees	8,323
Total number of paid employees in the Reporting Period	8,323
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	1,103
Functions	
Function	Employees
Production	5,357

Sales	1,600
Technical	400
Financial	170
Administrative	796
Total	8,323
Educational backgrounds	
Educational background	Employees
Master or above	65
Bachelor	1,719
Junior college	1,591
High school or below	4,948
Total	8,323

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part IX Corporate Governance

I General Information of Corporate Governance

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

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

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

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

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

☐ Yes ☒ No

No such cases in the Reporting Period.

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

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

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation	Date of the meeting	Disclosure date	Index to disclosed
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		ratio			information
The 2017 Annual General Meeting	Annual General Meeting	58.79%	22 May 2018	23 May 2018	Announcement on Resolutions of the 2017 Annual General Meeting disclosed on www.cninfo.com.cn
The 1 st Extraordinary General Meeting of 2018	Extraordinary General Meeting	54.07%	17 September 2018	18 September 2018	Announcement on Resolutions of the 1 st Extraordinary General Meeting of 2018 disclosed on www.cninfo.com.cn

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

☐ Applicable ☒ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

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

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

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

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

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

☐ Yes ☒ No

No such cases in the Reporting Period.

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

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

√ Yes ☐ No

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

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

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

1. Duty performance of the Strategy Committee

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

2. Duty performance of the Audit Committee

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

(1) It reviewed the annual report of the Company in 2018.

(2) Upon discussion with Ruihua Certified Public Accountants for the 2018 annual audit, it determined the schedule for the financial report and internal control audit for 2018.

(3) It communicated in advance with the CPAs firm and independent directors before the CPAs firm came to the Company and started the 2018 annual audit.

(4) It reviewed the short form of the preliminary financial statements of 2018 prepared by the financial department of the Company for the first time before the annual auditor came to the Company and made some helpful suggestions.

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

(6) After the annual auditor issued the preliminary audit opinion, it reviewed the 2018 annual financial statements again and made the final resolution.

3. Duty performance of the Nomination Committee

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

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

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

4. Duty performance of Remuneration and Appraisal Committee

(1) The Remuneration and Appraisal Committee affiliated to the Board of Directors, according to relevant regulations of

Implementation Rules of Remuneration and Appraisal Committee successfully completed the annual performance appraisal to directors, supervisors and senior executives in line with standards and procedures of performance appraisal during the reporting period.

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

VII Performance of Duty by the Supervisory Committee

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

☐ Yes ☒ No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

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

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

☐ Yes ☒ No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	27 April 2019
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Anhui Gujing Distillery Company Limited Self-assessment Report of Internal Control
Evaluated entities' combined assets as % of consolidated total assets	99.13%
Evaluated entities' combined operating revenue as % of consolidated operating revenue	99.00%
Identification standards for internal control weaknesses	

Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Critical defect: Separate defect or other defects that result in failure in preventing, finding out and correcting major wrong reporting in financial report in time. The following circumstances are deemed as critical defects: (1) Ineffective in controlling the environment; (2) Malpractice of directors, supervisors and senior management officers; (3) According to external auditing, there's major wrong reporting in current financial report, which fails to be found by the company in its operating process; (4) Major defects found and reported to the top management fail to be corrected within a reasonable period of time; (5) The supervision of audit committee of the company and its internal audit department for internal control is ineffective; (6) Other defects that may affect correct judgment of users of statements. Major defect: Separate defect or other defects that result in failure in preventing, finding out and correcting wrong reporting in financial report in time, which shall be noted by the top management despite of not attaining or exceeding critical level. Minor defect: Other internal control defects not constituting critical or major defects.</p>	<p>Any of the following circumstances shall be deemed as a critical defect, and other circumstances shall be deemed as major or minor defects according to their degree of impact.</p> <p>(1) Violate national laws, regulations or standardized documents;</p> <p>(2) Major decision making procedure is not scientific;</p> <p>(3) Lack of systems results in systematic failure;</p> <p>(4) Critical or major defects fail to be rectified;</p> <p>(5) Other circumstances that have major impact on the company.</p>
Quantitative standard	<p>Critical defect:</p> <p>(1) Wrong reporting $\geq 0.5\%$ of total operating revenue;</p> <p>(2) Wrong reporting $\geq 5\%$ of total profit;</p> <p>(3) Wrong reporting $\geq 0.5\%$ of total assets;</p> <p>(4) Wrong reporting $\geq 0.5\%$ of total owner's equity.</p> <p>Major defect:</p> <p>(1) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total operating revenue;</p> <p>(2) Wrong reporting $\geq 2\%$ but $< 5\%$ of total profit;</p>	<p>Critical defect: The defect with direct property loss amounting to over RMB10 million, has great negative impact on the company and is disclosed in public in the form of announcement.</p> <p>Major defect: The defect with direct property loss amounting to RMB1 million to RMB10 million (included), or is penalized by governmental authority of the country but has not resulted in negative impact on the company.</p> <p>Minor defect: The defect with direct property loss no more than RMB1 million</p>

	(3) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total assets; (4) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total owner's equity. Minor defect: (1) Wrong reporting $< 0.2\%$ of total operating revenue; (2) Wrong reporting $< 2\%$ of total profit; (3) Wrong reporting $< 0.2\%$ of total assets; (4) Wrong reporting $< 0.2\%$ of total owner's equity.	(included), or is penalized by governmental authority of the provincial-level or below but has not resulted in negative impact on the company.
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

X Independent Auditor's Report on Internal Control

☒ Applicable ☐ Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 December 2018.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	27 April 2019
Index to such report disclosed	See www.cninfo.com.cn for <i>Audit Report of Internal Control</i>
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

☐ Yes ☒ No

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

☒ Yes ☐ No

Part X Corporate Bonds

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

No.

Part XI Financial Statements

I Independent Auditor's Report

Type of auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	26 April 2019
Name of the auditor	Ruihua Certified Public Accountants (LLP)
No. of the auditor's report	Ruihua Shen Zi 【2019】 48440010 Hao
Name of CPA	Ou Changxian, Gao Qiang

Text of the Auditor's Report

To the Shareholders of Anhui Gujing Distillery Company Limited:

I. Opinion

We have audited the accompanying financial statements of Gujing Distillery Original Chinese Spirits (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2018, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of the Company as at 31 December 2018 and the consolidated and parent business performance and cash flow of the Company for 2018.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing 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. In accordance with professional ethics for certified public accountants, we are independent with the Company and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Current Period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is summarized as follows:

(I) Revenue recognition

1. Description

In 2018, liquor and spirit products of Gujing Distillery achieved an operating revenue of RMB8.519 billion, which occupied 98.08% of the total amount of its operating revenue, a year-on-year growth of 24.88%. Revenue being one of the key performance indices of Gujing Distillery, and inherent risks for major wrong reporting exist for revenue recognition. Therefore, we identify revenue recognition of Gujing Distillery as one of key audit items.

2. Auditing

Our audit procedures carried out for this key audit item mainly include:

- (1) Understand and assess the design for internal control of Gujing Distillery from review and approval of the sales process of liquor and spirits business of Gujing Distillery from sales orders to accounting of operating revenue, test the effectiveness of execution of key internal controls, and test automatic control related to general control and revenue process of Gujing Distillery's information system.
- (2) Sample check sales contract and interview the top management, make an analysis of major risks and remuneration transfer time related to recognition of operating revenue, and assess the rationality of Gujing Distillery's revenue recognition policy.
- (3) Carry out an analysis procedure for operating revenue including analysis of increase and decrease of major clients as dealers, change of revenue and gross profit rate during the period before and after that and in the sector so as to assess rationality for revenue recognition.
- (4) Select samples to check original notes for recognizing operating revenue and verify authenticity of operating revenue. At the same time, draw part of original notes and verify them against the book record to verify intactness of operating revenue.
- (5) Prove major clients by letters, conduct on-site investigation into the clients with large sales volume and visit their business operating places and warehouses, check the original notes for their terminal sales, assess authenticity of their terminal sales so as to verify authenticity of operating revenue of Gujing Distillery.
- (6) Conduct a cutoff test of its operating revenue and confirm if revenue recognition of Gujing Distillery is recorded at an appropriate accounting duration.

(II) Existence, Pricing and Apportion of Stock

1. Description of items

By 31 December 2018, the book value for the stock of Gujing Distillery was RMB2.407 billion, which occupied 19.25% of the total amount of its assets, of which book value of homemade semi-finished products and goods in process was RMB1.957 billion, occupying 81.30% of the amount of the year-end stock. Stock, as the most important assets of liquor and spirit enterprises, its year-end balance is high and occupies a large proportion of the total amount of their assets. Therefore, we identify existence, pricing and apportion of the stock of Gujing Distillery as a key audit item.

2. Auditing

Our audit procedures carried out for this key audit item mainly include:

- (1) Understand and assess the design for business process and internal control related to cost accounting, incoming and outgoing of stock and inventory and test the effectiveness of execution of key internal controls, and test automatic control related to general control and stock of Gujing Distillery's information system.
- (2) Understand the accounting policies related to stock and assess if they are in line with the accounting principles and systems fit for the enterprise, if they are consistent with those for the previous years.
- (3) Carry out an analysis review procedure: Calculate inventory turnover rate, compare with the previous term and compare with the other enterprises in the sector. Compare balance of stock and composition of previous and later terms and various months so as to judge overall rationality of year-end balance and its composition.
- (4) Carry out a monitoring procedure for the stock and sample check quantity and status of the stock.
- (5) Sample check cost statement and related information, conduct a pricing test for the stock and assess accuracy of amount of year-end stock of Gujing Distillery.
- (6) Obtain the year-end inventory aging list of the stock, and carry out an analytic review of the stock with a long inventory age combining market situation of the products, and assess if inventory falling price reserve is rational; Obtain the statement for inventory falling price reserve, review the test process for inventory impairment, sample check if it is conducted in accordance with the accounting policy of Gujing Distillery, check the change of this term of inventory falling price accrued for previous years and verify if inventory falling price reserve is accrued adequately.

IV. Other Information

The management of the Company is responsible for the other information. The other information comprises all of the information included in the annual report for 2018 of the Company other than the financial statements and our auditor's report thereon.

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

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

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

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

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of the Company is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

VI. CPA's Responsibility 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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 auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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.

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

(VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

Ruihua Certified Public Accountants (LLP)

CPA

(Engagementpartner): Ou Changxian

Beijing · China

CPA: Gao Qiang

26 April 2019

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

31 December 2018

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	1,705,760,865.12	1,484,088,626.40
Settlement reserve		
Interbank loans granted		
Financial assets at fair value through profit or loss	622,892.96	99,800.76
Derivative financial assets		
Notes and accounts receivable	1,377,175,880.08	743,077,269.84
Including: Notes receivable	1,347,427,811.34	720,611,126.78
Accounts receivable	29,748,068.74	22,466,143.06
Prepayments	182,558,000.75	41,729,637.34
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	43,342,878.22	29,273,284.22
Including: Interest receivable	24,923,178.08	13,883,178.08
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	2,407,306,664.86	2,064,130,297.51
Assets classified as held for sale		
Current portion of non-current assets	300,000,000.00	0.00
Other current assets	3,012,478,687.20	1,772,310,946.58
Total current assets	9,029,245,869.19	6,134,709,862.65
Non-current assets:		
Loans and advances to customers		

Available-for-sale financial assets	206,393,107.46	517,086,347.91
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,900,000.00	0.00
Investment property	5,027,228.53	5,343,777.33
Fixed assets	1,763,988,530.56	1,792,254,178.56
Construction in progress	93,320,557.56	54,496,798.56
Productive living assets		
Oil and gas assets		
Intangible assets	742,083,609.10	691,381,442.67
R&D expense		
Goodwill	478,283,495.29	478,283,495.29
Long-term prepaid expense	83,561,473.46	69,238,523.78
Deferred income tax assets	86,580,171.06	92,157,477.74
Other non-current assets	16,544,407.51	317,910,214.56
Total non-current assets	3,480,682,580.53	4,018,152,256.40
Total assets	12,509,928,449.72	10,152,862,119.05
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Customer deposits and interbank deposits		
Interbank loans obtained		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes and accounts payable	834,156,012.31	636,365,039.83
Advances from customers	1,149,143,310.48	503,083,108.13
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	457,299,476.43	372,374,014.37
Taxes payable	372,993,624.18	420,984,845.45
Other payables	1,192,020,147.82	1,032,543,553.34
Including: Interest payable		

Dividends payable		
Reinsurance payables		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for underwriting of securities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	295,164,745.44	182,846,942.10
Total current liabilities	4,300,777,316.66	3,148,197,503.22
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	76,636,500.55	43,706,503.22
Deferred income tax liabilities	102,764,515.11	119,779,105.90
Other non-current liabilities		
Total non-current liabilities	179,401,015.66	163,485,609.12
Total liabilities	4,480,178,332.32	3,311,683,112.34
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,295,405,592.25	1,295,405,592.25
Less: Treasury stock		
Other comprehensive income	4,794,830.59	53,520,827.44
Specific reserve		
Surplus reserves	256,902,260.27	256,902,260.27
General reserve		

Retained earnings	5,541,281,341.47	4,349,649,698.42
Total equity attributable to owners of the Company as the parent	7,601,984,024.58	6,459,078,378.38
Non-controlling interests	427,766,092.82	382,100,628.33
Total owners' equity	8,029,750,117.40	6,841,179,006.71
Total liabilities and owners' equity	12,509,928,449.72	10,152,862,119.05

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	1,078,172,917.59	1,276,262,109.02
Financial assets at fair value through profit or loss	622,892.96	99,800.76
Derivative financial assets		
Notes and accounts receivable	1,265,722,336.88	683,031,572.43
Including: Notes receivable	1,256,336,386.34	674,521,654.40
Accounts receivable	9,385,950.54	8,509,918.03
Prepayments	10,869,911.54	8,534,600.82
Other receivables	110,800,665.19	130,357,778.75
Including: Interest receivable		
Dividends receivable		
Inventories	2,125,826,967.11	1,818,358,884.18
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	1,764,267,968.83	1,554,870,774.98
Total current assets	6,356,283,660.10	5,471,515,520.94
Non-current assets:		
Available-for-sale financial assets	206,393,107.46	516,530,547.91
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,148,213,665.32	1,155,089,408.32
Investment property	24,715,657.40	26,409,050.95

Fixed assets	1,290,714,455.79	1,303,119,011.66
Construction in progress	86,634,753.93	44,673,219.38
Productive living assets		
Oil and gas assets		
Intangible assets	189,968,142.25	185,868,178.71
R&D expense		
Goodwill		
Long-term prepaid expense	56,643,945.05	58,563,409.89
Deferred income tax assets	37,415,458.17	37,996,747.93
Other non-current assets	12,474,026.00	12,474,026.00
Total non-current assets	3,053,173,211.37	3,340,723,600.75
Total assets	9,409,456,871.47	8,812,239,121.69
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes and accounts payable	390,939,469.93	347,757,180.53
Advances from customers	1,123,125,892.84	1,680,678,175.37
Payroll payable	117,748,485.96	110,435,403.45
Taxes payable	161,176,957.25	262,884,211.13
Other payables	372,902,293.22	173,250,790.29
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	32,605,794.55	18,296,415.85
Total current liabilities	2,198,498,893.75	2,593,302,176.62
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		

Long-term payroll payable		
Provisions		
Deferred income	36,417,554.85	39,976,048.28
Deferred income tax liabilities	4,828,737.52	19,792,209.68
Other non-current liabilities		
Total non-current liabilities	41,246,292.37	59,768,257.96
Total liabilities	2,239,745,186.12	2,653,070,434.58
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,247,162,107.35	1,247,162,107.35
Less: Treasury stock		
Other comprehensive income	4,794,830.59	53,454,736.38
Specific reserve		
Surplus reserves	251,800,000.00	251,800,000.00
Retained earnings	5,162,354,747.41	4,103,151,843.38
Total owners' equity	7,169,711,685.35	6,159,168,687.11
Total liabilities and owners' equity	9,409,456,871.47	8,812,239,121.69

3. Consolidated Income Statement

Unit: RMB

Item	2018	2017
1. Revenue	8,686,140,336.89	6,968,325,048.55
Including: Operating revenue	8,686,140,336.89	6,968,325,048.55
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	6,523,625,714.70	5,560,167,242.54
Including: Cost of sales	1,932,064,837.65	1,642,588,056.43
Interest expense		
Handling charge and commission expense		
Surrenders		

Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	1,278,907,520.09	1,136,317,983.99
Selling expense	2,682,535,305.26	2,170,081,383.54
Administrative expense	644,997,046.65	591,058,209.64
R&D expense	23,966,766.04	12,494,749.46
Finance costs	-51,572,629.73	-25,927,285.82
Including: Interest expense	15,408,022.76	0.00
Interest income	68,964,800.42	30,406,069.89
Asset impairment loss	12,726,868.74	33,554,145.30
Add: Other income	35,701,674.45	32,720,116.60
Investment income (“-” for loss)	148,215,468.62	153,433,358.26
Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value (“-” for loss)	-161,541.19	-113,260.71
Foreign exchange gain (“-” for loss)		
Asset disposal income (“-” for loss)	526,066.38	254,763.27
3. Operating profit (“-” for loss)	2,346,796,290.45	1,594,452,783.43
Add: Non-operating income	35,289,980.44	30,141,298.15
Less: Non-operating expense	13,160,175.48	12,376,817.78
4. Profit before tax (“-” for loss)	2,368,926,095.41	1,612,217,263.80
Less: Income tax expense	628,012,434.53	426,985,526.34
5. Net profit (“-” for net loss)	1,740,913,660.88	1,185,231,737.46
5.1 Net profit from continuing operations (“-” for net loss)	1,740,913,660.88	1,185,231,737.46
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of	1,695,231,643.05	1,148,740,644.93

the Company as the parent		
Net profit attributable to non-controlling interests	45,682,017.83	36,491,092.53
6. Other comprehensive income, net of tax	-48,725,996.85	17,376,349.49
Attributable to owners of the Company as the parent	-48,725,996.85	17,376,349.49
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	-48,725,996.85	17,376,349.49
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-48,725,996.85	17,376,349.49
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements		
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	1,692,187,664.03	1,202,608,086.95
Attributable to owners of the Company as the parent	1,646,505,646.20	1,166,116,994.42
Attributable to non-controlling interests	45,682,017.83	36,491,092.53

8. Earnings per share		
8.1 Basic earnings per share	3.37	2.28
8.2 Diluted earnings per share	3.37	2.28

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Operating revenue	4,255,302,263.38	3,789,547,842.84
Less: Cost of sales	1,772,452,588.66	1,481,030,950.69
Taxes and surcharges	1,074,150,390.45	974,280,790.69
Selling expense	177,002,048.12	172,260,238.41
Administrative expense	443,945,470.10	413,267,601.15
R&D expense	17,321,657.06	9,762,837.39
Finance costs	-42,463,654.44	-15,108,236.44
Including: Interest expense	15,408,022.76	
Interest income	58,659,575.81	19,115,343.79
Asset impairment loss	11,600,870.40	31,237,595.99
Add: Other income	15,340,983.23	20,408,700.71
Investment income ("-" for loss)	953,463,522.77	578,847,735.30
Including: Share of profit or loss of joint ventures and associates		
Gain on changes in fair value ("-" for loss)	-161,541.19	-113,260.71
Asset disposal income ("-" for loss)	0.00	23,533.98
2. Operating profit ("-" for loss)	1,769,935,857.84	1,321,982,774.24
Add: Non-operating income	29,427,413.82	17,009,324.56
Less: Non-operating expense	9,158,255.98	9,222,061.73
3. Profit before tax ("-" for loss)	1,790,205,015.68	1,329,770,037.07
Less: Income tax expense	227,402,111.65	231,661,547.32
4. Net profit ("-" for net loss)	1,562,802,904.03	1,098,108,489.75
4.1 Net profit from continuing operations ("-" for net loss)	1,562,802,904.03	1,098,108,489.75
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	-48,659,905.79	16,139,180.74

5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-48,659,905.79	16,139,180.74
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-48,659,905.79	16,139,180.74
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	1,514,142,998.24	1,114,247,670.49
7. Earnings per share		
7.1 Basic earnings per share	3.10	2.18
7.2 Diluted earnings per share	3.10	2.18

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	9,158,327,553.33	7,041,950,513.29
Net increase in customer deposits and interbank deposits		

Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Net increase in proceeds from disposal of financial assets at fair value through profit or loss		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Tax rebates	18,279,633.65	20,901,711.56
Cash generated from other operating activities	774,008,382.31	410,064,046.58
Subtotal of cash generated from operating activities	9,950,615,569.29	7,472,916,271.43
Payments for commodities and services	1,141,576,748.20	685,079,409.14
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	1,557,106,771.09	1,379,482,541.55
Taxes paid	3,095,830,374.91	2,588,903,933.28
Cash used in other operating activities	2,715,220,389.14	1,888,535,674.68
Subtotal of cash used in operating activities	8,509,734,283.34	6,542,001,558.65
Net cash generated from/used in operating activities	1,440,881,285.95	930,914,712.78

2. Cash flows from investing activities:		
Proceeds from disinvestment	3,392,057,566.06	5,542,089,013.38
Investment income	137,503,636.38	87,735,460.11
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	1,088,510.86	2,275,291.91
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	0.00	5,715,000.00
Subtotal of cash generated from investing activities	3,530,649,713.30	5,637,814,765.40
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	307,319,114.99	200,093,340.76
Payments for investments	4,349,123,092.20	5,570,236,537.09
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	4,656,442,207.19	5,770,329,877.85
Net cash generated from/used in investing activities	-1,125,792,493.89	-132,515,112.45
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Increase in borrowings obtained		
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Payments for interest and dividends	503,600,000.00	302,160,000.00
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing	16,553.34	0.00

activities		
Subtotal of cash used in financing activities	503,616,553.34	302,160,000.00
Net cash generated from/used in financing activities	-503,616,553.34	-302,160,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-188,527,761.28	496,239,600.33
Add: Cash and cash equivalents, beginning of the period	1,024,088,626.40	527,849,026.07
6. Cash and cash equivalents, end of the period	835,560,865.12	1,024,088,626.40

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,047,700,512.72	4,173,273,698.71
Tax rebates	4,523,679.80	13,013,817.25
Cash generated from other operating activities	744,922,683.25	34,644,114.33
Subtotal of cash generated from operating activities	3,797,146,875.77	4,220,931,630.29
Payments for commodities and services	1,151,280,535.30	899,290,002.74
Cash paid to and for employees	556,958,789.26	509,129,615.74
Taxes paid	1,875,058,501.76	1,745,217,861.34
Cash used in other operating activities	606,222,797.89	711,716,384.50
Subtotal of cash used in operating activities	4,189,520,624.21	3,865,353,864.32
Net cash generated from/used in operating activities	-392,373,748.44	355,577,765.97
2. Cash flows from investing activities:		
Proceeds from disinvestment	2,592,057,566.06	5,331,270,532.13
Investment income	956,590,486.35	523,008,318.40
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	153,914.79	501,088.26

Net proceeds from disposal of subsidiaries or other business units	3,587,238.24	0.00
Cash generated from other investing activities	0.00	1,826,000.00
Subtotal of cash generated from investing activities	3,552,389,205.44	5,856,605,938.79
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	228,181,556.23	141,317,744.91
Payments for investments	2,546,323,092.20	5,168,236,537.09
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	2,774,504,648.43	5,309,554,282.00
Net cash generated from/used in investing activities	777,884,557.01	547,051,656.79
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained		
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayment of borrowings		
Payments for interest and dividends	503,600,000.00	302,160,000.00
Cash used in other financing activities		
Sub-total of cash used in financing activities	503,600,000.00	302,160,000.00
Net cash generated from/used in financing activities	-503,600,000.00	-302,160,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	-118,089,191.43	600,469,422.76
Add: Cash and cash equivalents, beginning of the period	826,262,109.02	225,792,686.26
6. Cash and cash equivalents, end of the	708,172,917.59	826,262,109.02

period		
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7. Consolidated Statements of Changes in Owners' Equity

2018

Unit: RMB

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

the year													
3. Increase/ decrease in the period (“-” for decrease)							-48,725,996.85				1,191,631,643.05	45,665,464.49	1,188,571,110.69
3.1 Total comprehensive income							-48,725,996.85				1,695,231,643.05	45,682,017.83	1,692,187,664.03
3.2 Capital increased and reduced by owners												-16,553.34	-16,553.34
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners’ equity													
3.2.4 Other												-16,553.34	-16,553.34
3.3 Profit distribution											-503,600,000.00		-503,600,000.00
3.3.1 Appropriation to surplus reserves													

3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-503,600,000.00		-503,600,000.00
3.3.4 Other													
3.4 Transfers within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													

3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	503,600,000.00				1,295,405,592.25		4,794,830.59		256,902,260.27		5,541,281,341.47	427,766,092.82	8,029,750,117.40

2017

Unit: RMB

Item	2017												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
		Preferred shares	Perpetual bonds	Other									
1. Balances as at the end of the prior year	503,600,000.00				1,295,405,592.25		36,144,477.95		256,902,260.27		3,503,069,053.49	345,609,535.80	5,940,730,919.76
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													

Adjustments for business combinations under common control													
Other adjustments													
2. Balances as at the beginning of the year	503,600,000.00				1,295,405,592.25		36,144,477.95		256,902,260.27		3,503,069,053.49	345,609,535.80	5,940,730,919.76
3. Increase/decrease in the period (“-” for decrease)							17,376,349.49				846,580,644.93	36,491,092.53	900,448,086.95
3.1 Total comprehensive income							17,376,349.49				1,148,740,644.93	36,491,092.53	1,202,608,086.95
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3													

Share-based payments included in owners' equity													
3.2.4 Other													
3.3 Profit distribution											-302,160,000.00		-302,160,000.00
3.3.1 Appropriation to surplus reserves													
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-302,160,000.00		-302,160,000.00
3.3.4 Other													
3.4 Transfers within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													

3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	503,600,000.00				1,295,405,592.25		53,520,827.44		256,902,260.27		4,349,649,698.42	382,100,628.33	6,841,179,006.71

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

2018

Unit: RMB

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38	6,159,168,687.11

of the prior year											
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38	6,159,168,687.11
3. Increase/ decrease in the period (“-” for decrease)							-48,659,905.79			1,059,202,904.03	1,010,542,998.24
3.1 Total comprehensive income							-48,659,905.79			1,562,802,904.03	1,514,142,998.24
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners’ equity											
3.2.4 Other											
3.3 Profit distribution										-503,600,000.00	-503,600,000.00
3.3.1 Appropriation											

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

2017

Unit: RMB

Item	2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end of the prior year	503,600,000.00				1,247,162,107.35		37,315,555.64		251,800,000.00	3,307,203,353.63	5,347,081,016.62
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35		37,315,555.64		251,800,000.00	3,307,203,353.63	5,347,081,016.62
3. Increase/ decrease in the period (“-” for decrease)							16,139,180.74			795,948,489.75	812,087,670.49
3.1 Total comprehensive income							16,139,180.74			1,098,108,489.75	1,114,247,670.49
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of											

other equity instruments											
3.2.3 Share-based payments included in owners' equity											
3.2.4 Other											
3.3 Profit distribution										-302,160,000.00	-302,160,000.00
3.3.1 Appropriation to surplus reserves											
3.3.2 Appropriation to owners (or shareholders)										-302,160,000.00	-302,160,000.00
3.3.3 Other											
3.4 Transfers within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Loss offset by surplus reserves											
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings											
3.4.5 Other											

3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other											
4. Balances as at the end of the period	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38	6,159,168,687.11

Anhui Gujing Distillery Co., Ltd.

Notes to the Financial Statements

for the Year Ended 31 December 2018

(All amounts are expressed, unless otherwise stated, in CNY.)

Note 1 Company Profile

Anhui Gujing Distillery Co., Ltd. (hereafter "the Company" or "Company") was approved by Anhui State-owned Assets Administration by WanGuoZiGongZi (1996) NO. 053 (皖国资工字(1996)第 053 号文). Anhui Gujing Group Co., Ltd. was the sole sponsor of the Company. The Company was established by converting the net assets of the main production and operating assets of its core enterprise Anhui Bozhou Gujing distillery into 155,000,000 shares of state-owned shares with a net value of 37,716.77 million yuan. The registered place of the Company is Bozhou City, Anhui Province, People's Republic of China. The Company was established on March 5, 1996 with the approval of Anhui Secretary of Government (1996) No. 42 (皖政秘(1996)42 号文) by the Anhui Provincial People's Government. The Company started its founding meeting on May 28, 1996, and registered with the Anhui Provincial Administration for Industry and Commerce on May 30, 1996.

The Company issued 60,000,000 domestic listed foreign shares (hereafter "B" shares) in June 1996 and 20,000,000 domestic listed CNY ordinary shares (hereafter "A" shares) in September 1996, the par value of ordinary shares is CNY1.00 per share. Both A share and B share are listed on Shenzhen Stock exchange.

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

The original registered capital was CNY 235 million, the total amount of shares was 235 million, including state-owned shares 155 million and domestic listed foreign shares 60 million, the par value is CNY 1 per share.

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

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

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

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

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

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

As of 31 December 2018, the accumulated number of issued capital was 503.60 million shares. Refer to Note 6.25 for details.

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

The approved business scope of the Company: grain procurement (operation by license), production of distilled spirits, brewing equipment, packaging materials, glass bottles, alcohol,

grease (limited to the by-products from alcohol production), high-tech development, biotechnology development, deep processing of agricultural and sideline products, sales of self-produced products. The parent company of the Company and ultimate parent company is Anhui Gujing Group Co., Ltd. incorporated in China.

The financial statement is approved by the resolution of the board of directors on 26 April 2019. According to the articles of association, the financial statements will be submitted to the shareholders meeting for consideration.

A total of 23 subsidiaries of the Company that were included in the scope of consolidation in 2018 are listed in Note 8 “The equity in other entities”. The scope of consolidation of the Company for the current year was reduced by one subsidiary from the previous year. Refer to Note 7 “Changes of the scope of consolidated financial statements” for details.

Note 2 Basis for preparation of the financial statements

The financial statements of the Company have been prepared on basis of going concern in conformity with Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People’s Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on February 15, 2006, and revised Accounting Standards (order 42 of the Ministry of Finance) and Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (CSRC).

According to the relevant accounting regulations in Chinese Accounting Standards for Business Enterprises, the Company has adopted the accrual basis of accounting. Held-for-sale non-current assets are measured at the lower of its book value at its classification date and fair value minus expected disposal costs. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Note 3 Declaration of compliance with the CAS

The financial statements of the Company are recognized and measured in accordance with the regulations in the Chinese Accounting Standards for Business Enterprises and they give a true and fair view of the financial position, business result and cash flow of the Company as of December 31 2018. In addition, the financial statements of the Company comply, in all material respects, with the revised disclosing requirements for financial statements and the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Reports (2014 Revision) issued by China Securities Regulatory Commission (CSRC) in 2014.

Note 4 Significant accounting policies and accounting estimates

The Company and subsidiaries are mainly engaged in liquor production and sales. The Company formulates the specific accounting policies and accounting estimates for revenue recognition and other transactions and events in accordance with the actual business operation characteristics of the Company and subsidiaries, and provisions of the relevant accounting standard for business enterprises, please see Note 4.23 “Revenue” for details. The description of significant account judgment and estimates made by management, please see Note 4.28 “Significant accounting judgment and estimates.”

4.1 Accounting period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year from January 1 to December 31.

4.2 Operating cycle

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and uses it as a criterion for liquidity classification of assets and liabilities.

4.3 Monetary Unit

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose CNY as their functional currency. The Company adopts CNY to prepare its functional statements.

4.4 Accounting for business combinations under common control and under different control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.4.1 Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the

absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

4.4.2 Business combination involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not involving enterprise under common control, the combined cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The transaction cost arose from issuing of equity securities, or liability securities shall be initially recognized as equity securities or liability securities.

The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If within the 12 months after the acquisition, additional information can prove the existence of related information at the acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted.

Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost

of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

Where the temporary difference obtained by the acquirer was not recognized due to conformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from temporary deductible difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as the profit of the current period.

Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" on the "package deal" criterion (see Note 4.5.2), to judge the multiple exchange transactions whether they are the "package deal". If it belongs to the "package deal" in reference to the preceding paragraphs of this section and the Notes described in 4.13 "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income).

In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity

interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

4.5 Preparation of the consolidated financial statements

4.5.1 The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Company and all of the subsidiaries. The subsidiary is an enterprise or entity under the control of the Company.

Once the change in the relevant facts and circumstances leading to the definition of the relevant elements involved in the control of the change, the Company will be re-evaluated.

4.5.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed of during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the

Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements were reconciled on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-Group balances and transactions and any unrealized profit or loss arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Minority interest and the portion of the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders'/ owners' equity and net profit. Net profit or loss attributable to minority shareholders in the subsidiaries is presented separately as minority interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders'/equity of the subsidiary, the excess is allocated against the minority interests.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is re-measured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (i.e., in addition to the former subsidiary, which is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest subsidiaries are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.13 Long-term equity investments and Note 4.9 Financial instruments for details.

Where loss of control over a subsidiary result from multiple transactions (agreements), the assessment shall be made as to whether the multiple agreements shall be viewed as a whole as a single transaction. Multiple agreements giving rise to loss of control over a subsidiary is generally viewed as a whole as a single transaction if the terms, conditions and economic implications of the multiple agreements satisfy one or more of the following conditions: 1) the agreements are entered into simultaneously or taking into account the implication of each other; 2) the business objective cannot be achieved without successful completion of all the agreements; 3) the occurrence of one

agreement is dependent on the result of at least another one agreement; and/or 4) any one single agreement is not recognized as economic, and the agreements as a whole is economic. Where multiple agreements do not satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for in accordance with the provisions of disposal of long-term equity investments not resulting loss of control (see Note 4.13.2.4) or loss of control due to disposal of shares or other events (see the previous paragraph). Where multiple agreements satisfy the conditions of being viewed as a single transaction, each agreement shall be treated and accounted for as a transaction which results in loss of control; differences between the consideration for disposals prior to loss of control and the net assets proportionate to the shares disposed prior to loss of control are recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss at the time of loss of control.

4.6 Joint arrangement and accounting for joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending on the rights and obligation of the Company in the joint arrangement. A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for joint ventures using the equity method, see Note 4.13.2.2 for details.

The Company, a joint operator, recognizes in relation to its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including 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 the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

When the Company enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, the Company, prior to disposal of the assets to a third party by the joint operation, recognizes gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When there is evidence of a reduction in the net realizable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets which is in line with provision stipulated by CAS 8, those losses are recognized fully by the Company. When there is evidence of a reduction in the net realizable value of the assets to be purchased or of an impairment loss of those assets, the Company shall recognize its share of those losses.

4.7 Cash equivalent

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be

measured reliably and have low risks of change.

4.8 Foreign exchange

4.8.1 Translation in foreign exchange transactions

Transactions denominated in foreign currencies are translated into the functional currency using the transaction-date spot exchange rates. Where a transaction is conducted purely for the purpose of exchange one currency into another currency, the exchange rate used to translate the foreign currency into the functional currency is the exchange rate that is actually used for the currency exchange.

4.8.2 Translation of foreign monetary currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

4.9 Financial instruments

The Company recognizes the financial assets or liabilities when involved in financial instruments' agreements. The financial assets or liabilities are measured at fair value when initially recognized. For financial instruments whose value is measured at fair value, the related trading fees of whom are recorded into gains or loss; For other financial instruments, the related fees are recognized as part of initial value.

4.9.1 Recognition of financial assets and liabilities' fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. The

quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Company measures initially and subsequently the fair value of an interest rate swap at the value of a competitor's interest rate swap quoted by a recognized financial institution as at the Company's balance sheet date in accordance with the principle of consistency.

4.9.2 Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

4.9.2.1 Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. the financial asset is acquired for the purpose of selling it in the short term;
- B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;
- C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

A financial asset is designated on initial recognition as at fair value through profit or loss only when it

meets one of the following conditions:

A. the designation eliminates or significantly reduces the inconsistency in the measurement or recognition of relevant gains or losses that would otherwise arise from measuring the financial instruments on different bases.

B. a Group of financial instruments is managed, and its performance is evaluated on a fair value basis and is reported to the enterprise's key management personnel. Formal documentation regarding risk management or investment strategy has prepared.

Financial assets at fair value through profit or loss are subsequently measured at the fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

4.9.2.2 Investment held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has a positive intention and ability to hold to maturity. Such kind of financial assets is subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

The effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received by the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

4.9.2.3 Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed, determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

4.9.2.4 Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and dividends declared by the investee during the period in which the financial assets available-for-trade are held, are recognized as investment gains.

4.9.3 Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

4.9.3.1 Impairment on held-to-maturity investment, loans, and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as an impairment loss. If there is objective evidence to indicate the recovery of the value of financial assets after impairment, and it is related to the subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

4.9.3.2 Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in the capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be the difference between the acquisition cost with a deduction of a recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the

financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4.9.4 Recognition and measurement of financial assets transfer

The Group derecognizes a financial asset when one of the following conditions is met:

- a. the rights to receive cash flows from the asset have expired;
- b. the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- c. the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognized according to the extent it exists as a financial asset, and correspondent liability is recognized. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a). the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

4.9.5 Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

4.9.5.1 Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognized in profit or loss for the current period.

4.9.5.2 Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the current period.

4.9.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the present underlying obligation (or part of it) is discharged or canceled or has expired. An agreement between the Company (an existing borrower) and existing lender to replace original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

4.9.7 Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The gain or loss caused by the fair value change of the hedging instrument which the hedging is high efficiency will be recorded into a specific period in accordance with the hedging accounting according to the hedging relationship. Except for the hedging above, the resulting gain and loss of other derivatives is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition date or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

4.9.8 Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

4.9.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

4.10 Receivables

The receivables by the Company include account receivables and other receivables.

4.10.1 Impairment of receivables

Receivables are assessed for impairment on balance sheet dates. An impairment allowance for receivables is recognized if any of the following is present in assessment:

- a. significant financial difficulty of the issuer or obligor; or
- b. a breach of contract, such as a default or delinquency in interest or principal payments; or
- c. it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- d. other objective evidence is indicating impairment.

4.10.2 Impairment allowance for receivables

4.10.2.1 Receivables of individual significance subject to individual assessment and the relevant impairment allowance

Individual receivables equal to or over CNY 2,000,000.00 are classified as receivables of individual significance.

Receivables of individual significance are individually assessed for impairment. Receivables of individual significance assessed as non-impaired upon individual assessment are incorporated into portfolios of financial assets of similar credit risk characteristics for assessment for impairment by portfolio. Receivables of individual significance assessed as impaired upon individual assessment are no longer subject to assessment for impairment by portfolio.

4.10.2.2 Portfolios of receivables of similar credit risk characteristics and the relevant impairment allowance

A. Classification of portfolios

Receivables of individual insignificance and non-impaired receivables of individual significance upon individual assessment are classified into portfolios of financial assets on the basis of similarity and relevance of credit risk characteristics. Credit risk characteristics represent the ability of the issuers or obligors to make payments in accordance with contracts and future cash flows of the relevant assets.

Evidence of portfolios :

Portfolio	Criteria
Portfolio by age	Age of receivables
Related party portfolios	Entities within the scope of the consolidation.

B. Impairment allowance for portfolios

Impairment allowance for portfolios is measured with reference to portfolio structure, credit risk characteristics (the ability of the issuers or obligors to make payments in accordance with contracts) of each portfolio, historical experience, current market economic conditions, and recognized impairment in each portfolio.

Measurement method for impairment allowance for portfolios

Portfolio	Measurement method
Portfolio by age	Age analysis method
Related party portfolios	No allowance for bad debt

a. Impairment allowance measured by age analysis

Age group	Proportion to accounts receivable (%)	Proportion to other receivables
-----------	---------------------------------------	---------------------------------

		(%)
Less than 1 year (inclusive, same applies to the following)		
Including: 1 to 6 months	1.00	1.00
7 to 12 months	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

4.10.2.3 Receivables of individual insignificance subject to individual assessment

Receivables of individual insignificance are individually assessed for impairment is any of the following is present:

there is disagreement with the issuer or obligor, or are subject to litigation; or it is clearly evidential that the issuer or obligor is very likely not capable of fulfilling its commitments.

When a receivable of individual insignificance is impaired upon individual assessment for impairment, an impairment loss is recognized as the excess of its carrying amount over the present value of its future cash flows and an impairment allowance of the same amount is recognized.

4.10.3 Reversal of impairment allowance for receivables

After the impairment is recognized, if events subsequent to the recognition of the impairment are objectively evidential that the impairment no longer exists, the impairment allowance and impairment loss are reversed; however, the reversal shall not cause the carrying amount of the receivable exceeds its carrying amount as at the reversal date as if no impairment allowance was recognized.

4.11 Inventories

4.11.1 Classification of inventory

The Company's inventory mainly includes raw materials, semi-finished product, work-in-progress and finished products.

4.11.2 Costing of inventories

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

4.11.3 Determination of net realizable value of inventories and impairment allowance for inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

Net realizable value is determined on the basis of clear evidence obtained and takes into

consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is normally determined by the difference of the cost of the individual item less its realizable value. For large quantity and low-value items of inventories,

provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

4.11.4 Physical inventories are managed by the perpetual inventory taking system.

4.11.5 Amortisation of low-value consumables and packaging materials

Low-value consumables and packaging materials are fully amortized at the time of issuance.

4.12 Held-for-sale assets and disposal group

The Company classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the following conditions shall be met: a) the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b) the Company has made the resolution on the disposal plan and must be committed to a plan to sell the asset (or disposal group); c) the sale is expected to be completed within one year from the date of classification. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group shall include goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of Accounting Standard for Business Enterprises No. 8 – Impairment of assets.

The Company measure a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell on initial recognition and subsequent remeasurement on the balance sheet date. An impairment loss is recognized when the carrying amount is higher than the fair value less costs to sell, and allowance for impairment is recognized

accordingly. For the disposal group, the recognized impairment loss on assets is offset against the carrying amount of the goodwill in the disposal group, and then reduced in proportion of the book value of the non-current assets applicable to "Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinued Operations (hereinafter referred to as "held for sale accounting principle") measurement requirements. The Company shall recognize a gain during the period for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized after the reclassification to non-current assets held for sale. The book value of assets in the disposal group is increased proportionately according to the proportion of the book value of each non-current asset except for goodwill. Impairment loss recognized before the reclassification to non-current assets held for sell shall not be recovered.

Non-current asset or non-current asset in the disposal group classified as held for sale are not subject to depreciation or amortization. The interest and other expenses on liabilities held in the disposal group for sale are continuously recognized.

Non-current assets or disposal group that no longer meet the conditions of non-current asset held for sell shall be removed from the category, and shall be measured at the lower of the following: (a) The carrying amount before classification as held for sale after adjustment of depreciation, amortization or impairment that should be recognized if it is not classified as non-current assets held for sell; (b) recoverable amount.

4.13 Long-term equity investments

Long-term equity investments in this section refer to the long-term investment through which the Company has control, joint control, or material influence on the investee. Long-term equity investments through which the Company does not have control, joint control or material influence on the investee shall be recognized as available-for-sale financial assets or financial assets measured by fair value with changes in fair value recognized in profit or loss. See Note 4.9 for details.

Joint control is the contractually agreed sharing of control over economic activity and exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4.13.1 Determination of Investment cost

Long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost and cash paid, non-monetary assets transferred, and liabilities assumed by is adjusted to capital reserves,

and to retained earnings if capital reserves are insufficient. If the consideration is paid by issuing equity instruments, the initial cost is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements, with the face value of the equity instruments issued recognized as share capital and the difference between the initial cost and the face value of the equity instruments issued adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. For business combination involving entities under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquires the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination under common control are measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the initial cost, and the book value of the long-term equity investment before combination date and considerations paid to acquire new shares on the combination date, is adjusted to capital reserves, and to retained earnings if capital reserves are insufficient.

Long-term equity investment acquired through business combination not under common control is measured at combination cost on the combination date. The combination cost includes assets contributed by the purchaser, liabilities incurred or assumed by, and fair value of the equity instruments issued by the acquirer. For business combination involving entities not under common control achieved through multiple transactions (acquisition in stages), the multiple agreements are assessed to determine whether they should be viewed as a lump-sum purchase. Where multiple agreements of an acquisition in stages are viewed as a lump-sum purchase, the transactions are viewed as one transaction that acquires the control power. Where multiple agreements of an acquisition fail the conditions of a lump-sum purchase, long-term equity investment acquired through business combination not under common control are measured at the sum of the original book value of the equity investment on the investee and the new investment cost, which is regarded as the new initial cost of the long-term investment when transferred to cost method. If the original equity is measured by the equity method, not accounting treatment is applied to relevant other comprehensive income temporarily.

The audit, legal services, valuation, and other directly associated administrative expenses incurred by the acquirer are recognized in profit or loss on the transaction dates.

Long-term equity investments acquired not through business combination are measured at cost on

initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. When the Company increase investment to have material influence or joint control, but not control over the investee, long-term investments are measured at the sum of the fair value of initial equity investment and cost of new investment as defined in CAS22-Recognition and Measurement of Financial Assets.

4.13.2 Subsequent measurement and recognition and measurement of gain or loss

Where a long-term equity investment gives the Company either joint control or significant influence over the respective investee, the investment is subsequently measured using the equity method.

Where a long-term equity investment gives the Company control over the respective investee, the investment is subsequently measured at cost.

4.13.2.1 Long-term equity investments measured at cost

A long-term equity investment is measured at the cost of investment, excluding declared cash dividends or profit pending distribution included in the consideration paid. Investment income for the relevant period from a long-term equity investment measured at cost is recognized as the Company's share of the cash dividends or profit declared for distribution by the investee.

4.13.2.2 Long-term equity investments measured using the equity method

When the cost of a long-term equity investment measured using the equity method on initial recognition exceeds the Company's share of the fair value of the respective investee's net identifiable assets, no adjustment is made to the cost of the investment for the excess. When the Company's share of the fair value of an investee's net identifiable assets exceeds the cost of the respective long-term equity investment measured using the equity method on initial recognition, adjustment is made to the cost of the investment for the difference and the difference is carried to profit or loss for the period during which the investment is recognized.

Investment income or loss and other comprehensive income for the relevant period from a long-term equity investment measured using the equity method is measured at the Company's share of the net profit or loss and other comprehensive income of the respective investee for the relevant period, and the book value of long-term equity investments is adjusted accordingly. If the investee declares profit distribution or cash dividends, long-term equity investments are reduced by the Company's share of declared profit distribution or cash dividends in the investee. Long-term equity investments will be adjusted, and capital reserves are recognized with variations other than net profit or loss, other

comprehensive income, and profit distribution. When computing the Company's share of the net profit or loss of the investee for the relevant period, net profit or loss of the investee for the relevant period is adjusted, if necessary, for the fair value of the investee's identifiable assets and identifiable liabilities on acquisition and the Company's accounting policies and accounting period. Investment income and other comprehensive income is recognized accordingly. The computation of the Company's share of the net profit or loss of the investee for the relevant period also eliminates unrealized profit and loss arising from transactions between the Company and the investee (a joint venture or associate, whichever is applicable) and contributing or selling assets to the investee which forms an operation, to the extent of the Company's share calculated by the Company's shareholding in the investee for the relevant period, except for the unrealized loss resulted from impairment of transferred assets. When contributing assets to the joint venture or associate by the Company forms an operation, and the investor acquires the long-term equity investment without control, long-term equity investments are measured at fair value of the contributed operations, with the difference between initial investment cost and book value of the contributed operation fully recognized in profit or loss for the period. When selling assets to the joint venture or associate by the Company forms an operation, the difference between considerations received and book value of the operation is fully recognized in profit and loss for the period. When purchasing assets from the joint venture or associate by the Company belongs to an operation, income and losses are fully recognized as specified in CAS20-Business Combination.

When the Company's share of an investee's net loss exceeds the sum of the carrying amount of the respective long-term equity investment measured using the equity method and other investments in the investee, the carrying amount of the long-term equity investment and other investments in the investee is reduced to zero. If the Company is obliged to share loss of the investee after its long-term equity investment and other investments have been reduced to zero, an investment loss and provision is recognized to the extent of the estimated obligation. If the investee reports profits in subsequent periods, the Company only recognizes its share of profit after its share of profit equals the share of loss not recognized.

For long-term equity investments in associates and joint ventures which had been held by the Company before its first time adoption of new accounting standards, where the initial investment cost of a long-term equity investment exceeds the Company's share in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight-line basis over the original remaining life.

4.13.2.3 Acquisition of minority interests

If minority interests in an investee is acquired by the Company, during the Company's preparation of the consolidated financial statements, the difference between the Company's cumulative share of the investees net assets calculated on the basis of the new shareholding in the investee from the

acquisition date (or combination date) and the Company's investment in the investee following the minority interest acquisition is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient.

4.13.2.4 Disposal of long-term equity investments

On the consolidated financial statements, when partly disposal of a long-term equity investment in a subsidiary which does not cause loss of control over the subsidiary, the difference between the consideration for disposal and the net identifiable asset given away proportionate to the disposed shares in the subsidiary is recognized in equity; partly disposal of a long-term equity investment in a subsidiary which causes loss of control over the subsidiary is accounted for in accordance with Note 4.5.2.

The difference between the consideration for disposal of long-term equity investments and the carrying amount of the long-term equity investments disposed of is recognized in profit or loss for the period during which the investments are disposed of.

When a long-term equity investment measured using the equity method is disposed, and the residual equity after disposal is still measured using equity method, the respective cumulative other comprehensive income recognized in equity proportionate to the disposed of investment shall adopt the same accounting treatment as the investee disposes of relevant assets or liabilities directly. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognized in profit or loss proportionally.

When a long-term equity investment measured using the cost method is disposed and the residual equity after disposal is still measured using cost method, other comprehensive income, which is recognized by equity method or recognition and measurement applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly on the date of loss of control, and profit or loss is recognized proportionally. Movement in investee's equity other than changes in net profit or loss, other comprehensive income, and profit distribution is recognized in profit or loss proportionally.

Where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment is measured by equity method in the Company's separate financial statements; where the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and book value of the remaining investment at the date of loss of control is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognized by equity method or recognition and measurement principles

applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly on the date of loss of control, The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss when control is lost. Where the remaining investment is measured by equity method, the afore-mentioned other comprehensive income and other equity movement are recognized in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the afore-mentioned other comprehensive income and other equity movement are fully recognized in profit or loss.

Where the Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognized in profit or loss. Cumulative other comprehensive income relevant to the investment, which is recognized by equity method or recognition and measurement principles applicable to financial instruments prior to the Company's acquisition of control over the investee, shall adopt the same accounting treatment as the investee disposes relevant assets or liabilities directly on the date of loss of control, The investee's equity movement other than changes in net profit or loss, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognized in profit or loss when control is lost.

Where the Company's control over an investee is lost through multiple disposals and the multiple disposals can be viewed as a lump-sum transaction, the multiple disposals are accounted for one single transaction which results in the Company's loss of control over the investee. Difference between the consideration received and the book value of the investment disposed at each time of disposal is recognized in other comprehensive income and reclassified in full to profit or loss at the period when control over the investee is lost.

4.14 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset, and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditure in the profit or loss when it incurred.

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 20 "Non-current and non-financial assets impairment."

Occupied real estate for investment property or investment property is transferred to the owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

Investment property change into the Owner-occupied real estate, since the change of date for the investment property, is transferred to fixed assets or intangible assets. Change the owner-occupied property held to earn rentals or for capital appreciation, since the change of date, the fixed assets or intangible assets to investment property. Conversion occurs when converted to investment property using the cost model, as the book value before the conversion of the recorded value after the conversion; converted to investment property measured at fair value model, the fair value of the conversion date as the recorded value after conversion.

Derecognized, when the investment property is disposed of or permanently withdrawn from use and the expected economic benefits, cannot be obtained from the disposal of investment property. Proceeds on disposal of investment property is sold, transferred, retired or damaged through profit or loss after deducting the book value and related taxes.

4.15 Fixed assets

4.15.1 Definition

Fixed assets refer to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year.

4.15.2 Depreciation of fixed assets

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of a state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Expected useful life	Estimated residual value (%)	Depreciation (%)
Houses and building	8.00-35.00	3.00-5.00	2.70-12.10
Machineries	5.00-10.00	3.00-5.00	9.50-19.40
Vehicles	4.00	3.00	24.25
Administrative equipment and others	3.00	3.00	32.33

Expected net residual value of fixed assets is the balance of the Company currently obtained from the

disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

4.15.3 Assessment of impairment and impairment allowance

Impairment and provisions of fixed assets are disclosed on Note 4.20 Impairment of non-current and non-financial assets.

4.15.4 Recognition and measurement of fixed assets held under financial lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. The title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

4.15.5 Other relevant information

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring or disposing of a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as a change in accounting estimates.

4.16 Construction in progress

The cost of construction in progress is measured at the actual expenditure incurred, including construction expenditure and capitalization of borrowing costs and other applicable costs incurred prior to the completion. An item of construction in progress is reclassified to fixed asset upon completion.

See Note 4.20 for details of assessment for impairment of construction in progress and impairment allowance for construction in progress.

4.17 Borrowing costs

Borrowing costs include interests on loans, amortization of discount or premium, ancillary expenses, and foreign exchange difference on loans denominated in foreign currencies. Borrowing costs directly

associated with the acquisition of construction of a qualifying asset are eligible for capitalization. Capitalization starts when expenditure on the qualifying asset is incurred, borrowing costs are incurred, or production or construction of the qualifying asset for its intended use or sales is started, whichever is later. Capitalization stops when the qualifying assets reach the condition of its intended use or sales. All other borrowing costs are recognized in profit or loss for the period during which they are incurred.

When a loan is taken out specifically for the construction of a particular qualifying asset, the interest expense capitalized for a particular period is the residual amount after deducting interest income from unused facilities for the period and/or income from temporary investment of the unused facilities for the period from the interest expense incurred for the period. Borrowing costs on general purpose financing are calculated by multiplying the weighted average of the excess of cumulative capital expenditure over the designated financing facilities with the capitalization rate of general purpose financing. The capitalisation rate of general purpose financing is calculated as the weighted average of the interest rates of general purpose financing.

Foreign exchange difference on designated financing denominated in foreign currencies incurred during the capitalization period is wholly capitalized. Foreign exchange difference on general purpose financing denominated in foreign currencies is recognized in profit or loss for the period during which it is incurred.

A qualifying asset is an item of fixed assets, investment property, inventories, etc. which requires a substantial period of time for the construction or production for its intended use of sales.

If the construction or production of a qualifying asset stops for a period longer than three months, capitalization of borrowing costs is suspended until the construction or production is resumed.

4.18 Intangible assets

4.18.1 Intangible asset

An intangible asset is an identifiable non-monetary asset without a physical form which is owned or control by the Company.

Intangible assets are measured at cost on initial recognition. If it is probable that economic benefits associated with expenditure directly associated with an item of intangible assets will flow to the Company and the cost of the expenditure can be reliably measured, the expenditure is measured as part of the intangible asset's initial cost; all other expenditure is recognized in profit or loss for the period during which it is incurred.

Land use rights acquired are generally recognized as intangible assets. In the case of a self-constructed building, the costs of acquiring the respective land use right(s) and the costs of building construction are separately recognized and measured as intangible assets and fixed assets respectively. In the case of a purchased building, the costs of acquisition are allocated to land use

right(s) and building; if the reasonable allocation is impossible, the costs of acquisition as a whole are recognized and measured as fixed assets.

For an item of intangible assets which is with a finite useful life, the residual amount after deducting its estimated residual value and previously recognized impairment from its cost is amortized over its estimated remaining useful life using the straight-line method starting from the month in which it reaches the conditions of its intended use of sales. Intangible assets with infinite useful life are not amortized.

Useful lives of intangible assets are a review on each balance sheet date. If circumstances indicate that there is a change in the useful life of an item of intangible assets with a finite useful life, a change in accounting estimates is carried out. If circumstances indicate that the useful life of an item of intangible assets with infinite useful life becomes finite, the useful life of the intangible asset is estimated, and the intangible asset is amortized accordingly.

4.18.2 Research and development expenditure

A research and development project is divided into research stage and development stage.

Expenditure incurred during the research stage is recognized in profit or loss for the period during which it is incurred.

Expenditure incurred during the development stage is recognized as intangible assets if all of the following conditions are satisfied:

- a. it is technically feasible to complete the intangible asset so that it can be used or sold; and
- b. the Company has clear intention to complete the intangible asset and to use it or sell it; and
- c. it is evidential that the intangible asset will generate economic benefits either by selling the intangible asset itself or the goods produced by the intangible asset or by using it internally; and
- d. there are sufficient technical, financial and other resources to complete the intangible asset and the Company is able to use it or sell it, and
- e. expenditure incurred in the development stage of the intangible asset can be reliably measured.

Where a research and development project cannot be separated into the research stage and development stage, all expenditure incurred for the project is recognized in profit or loss for the period during which it is incurred.

4.18.3 Assessment of impairment and impairment allowance

See Note 4.20 for details of assessment for impairment of intangible assets and impairment allowance for intangible assets.

4.19 Deferred charges

An item of deferred charges is an expense incurred which brings economic benefits to the Company for a period exceeding one year starting from the transaction date. An item of deferred charges is

amortized over its estimated useful life using the straight-line method.

4.20 Impairment of non-current assets

Non-current non-monetary assets, such as fixed assets, construction in progress, intangible assets with finite useful life, investment property measured by cost, and long-term equity investments in subsidiaries, joint ventures, and associates, are assessed for impairment on each balance sheet date. If circumstances on a balance-sheet date indicate that a non-current non-monetary asset is impaired, the recoverable amount of the asset is estimated. The recoverable amounts of goodwill, intangible assets with infinite useful live and intangible assets which have not yet reached the conditions of their intended use or sales are estimated at least once a year regardless of whether there is an indication of impairment.

If the carrying amount of a non-current non-monetary asset exceeds its estimated recoverable amount, the excess of the carrying amount over the estimated recoverable amount is recognized as impairment allowance, and an impairment loss of the same amount is recognized. The estimated recoverable amount of an asset is the higher of the residual amount after deducting disposal expense of the asset from its fair value and the present value of its future cash flows. Where there is a sales contract for an asset, and the contract is entered into for an arm's length transaction, the fair value of the asset is the contract price; where there isn't a sales contract for an asset, but there is an active market for it, the fair value of the asset is price offered by the buyer; where there is neither a sales contract nor an active market for an asset, the fair value of the asset is the best estimate based on all available information. The disposal cost of an asset includes legal expenses, applicable taxes and fees and transportation costs directly associated with the asset's disposal and all direct costs necessary to bring the asset to its sellable condition. The present value of an asset's future cash flows is calculated by multiplying the cash flows arising from the continual use of the asset and its disposal at an appropriate discount rate. An impairment allowance is generally calculated on the basis of individual assets. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a cash-generating unit to which the asset belongs is estimated. A cash-generating unit is the smallest combination of assets that are capable of cash flow generation.

Goodwill separately presented on the (consolidated) financial statements is allocated to cash-generating units or groups of units that are expected to benefit from the synergy of business combination for impairment testing. Where the recoverable amount a cash-generating unit (or group of units) is lower than its carrying amount, an impairment loss is recognized. The impairment loss is firstly allocated to the goodwill allocated to the unit (or group of units) and then to individual assets pro rata on the basis of the carrying amount of each asset in the unit (or group of units)

The impairment loss recognized in accordance with this section is irreversible in subsequent periods.

4.21 Employee Benefits

The employee benefits of the Company include short-term employee benefits, post-employment

benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits include wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits etc. Short-term employee benefits are recognized as liabilities and profit or loss account or the costs associated with the asset during the accounting period when employees actually provide services. The non-monetary benefits are measured at fair value.

Post-employment benefits include defined contribution plans and defined benefit plans. Defined contribution plan which includes the basic pension, unemployment

insurance and annuities shall be recognized as cost of related assets or profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognized for the compensation arising from the termination of employment relationship with employees at the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment or the Company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits cannot be fully paid within twelve months of the reporting date the liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognized in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the Company to employees that are in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

4.22 Provisions

A contingent liability is recognized as provision if all or the following conditions are satisfied:

- a. it is a present obligation assumed by the Company; and
- b. it is probable that the fulfillment of the obligation will cause economic benefit flows from the Company; and
- c. the amount of the obligation can be reliably measured.

A provision is measured on a balance-sheet date as the best estimate of the amount that is required for the fulfillment of the present obligation after considering of the risks and uncertainty associated with the respective contingent events and the time value of money.

If the amount required for settlement of a provision is wholly or partly reimbursed by a third party, the reimbursement is recognized separately as an asset to the extent of the carrying amount of the provision if it is probable that the reimbursement becomes receivable.

4.23 Revenue

4.23.1 Revenue from sales of goods

Revenue arising from sales of goods are recognized if all of the following conditions are satisfied: significant risks and rewards attached to the ownership of the goods have been transferred to the buyer; and the Company neither retains continual involvement with management generally associated with the ownership of the goods nor exercise effective control over the goods sold; and the amount of revenue can be reliably measured; and it is probable that economic benefits arising from the sales will flow to the Company; and expenses incurred or to be incurred associated with the goods sold can be reliably measured.

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

4.23.2 Revenue from rendering of services

When the income of service rendered can be reliably estimated, revenue arising from the service is recognized based on a percentage of completion on the respective balance sheet date. The percentage of completion of service rendered is determined by the proportion that costs incurred to date bear to the estimated total costs.

The outcome of service rendered can be reliably estimated if all of the following conditions are satisfied: a. the amount of revenue can be reliably measured; b. it is probable that associated economic benefits will flow to the Company; c. the percentage of completion of service rendered can be reliably measured; and d. costs incurred to date and to be incurred can be reliably measured.

When the outcome of service rendered cannot be reliably estimated, revenue is recognized to the extent that costs incurred to date and to be incurred are expected to be reimbursed, and costs incurred to date are recognized in profit or loss for the periods during which they are incurred. When costs incurred are not expected to be reimbursed, no revenue is recognized.

If a contract entered into by the Company and a counterparty involves both sales of goods and

rendering of services and revenue arising from goods sold and services rendered can be distinguished, revenue from sales of goods and rendering of services are separately accounted for; if, however, revenue arising from goods sold and services rendered cannot be distinguished or can be distinguished but cannot be separately measured, all revenue is accounted for as revenue arising from sales of goods.

4.23.3 Royalty income

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

4.23.4 Interest income

Interest income is determined by the length of time over which the Company's financial resources are used by other parties using the effective interest rate method.

4.24 Government Grants

A government grant is a transfer of monetary and non-monetary assets from the government to the Company for no consideration, excluding resources transferred to the Company by the government in the capacity of the shareholder. Government grants include grants related to assets and grants related to income.

Government grants obtained by the Company which is relevant to construction or acquisition of long-term assets are classified as asset-related government grants; all other government grants are classified as revenue-related government grants. For government grants without a specified beneficiary, the Company performs classification in accordance with the following criteria.

- a. Where a grant is obtained for a specified project, the grant is split into asset-related and revenue related portions proportionate to the project's investment to expense ratio; the classification is reviewed on each balance sheet date and revised if necessary.
- b. Where a grant is obtained for general purpose, the grant as a whole is classified as a revenue-related government grant.

If a government grant is in the form of monetary assets, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary assets, it is measured by the fair value of the assets; if the fair value of the assets granted cannot be reliably measured, the grant is measured by the nominal value of the assets and is recognized immediately in profit or loss for the relevant period.

In general, the Company recognizes a government grant when it is actually received, and measures at the amount actually received. However, a government grant may be recognized as receivable if it is objectively evidential on the reporting date that conditions for the grant receipt are satisfied and that

the grant is receivable. A government grant is recognized as receivable if all following conditions are satisfied:

- a. the amount of the grant is expressly stipulated in an official publication by the authorized governmental agency or can be reasonably estimated in accordance with fiscal pronouncement issued by the authorized governmental agency, and the estimate is not subject to significant uncertainty;
- b. the grant is officially disclosed as part of publicly disclosed fiscal subsidized projects by the local fiscal government bodies in accordance with the Government Information Disclosure Directives and is managed in accordance with the fiscal plan published and the management of the grant if not entity-specific, i.e., every eligible entity is entitled to apply;
- c. the term for payment is expressly stipulated in the official pronouncement, and the payment is backed by fiscal planning so that it is reasonable to expect receipt within the term of the payment; and
- d. other conditions (inapplicable) need to be satisfied taking into account the Company's circumstances.

Grants related to assets are recognized as deferred income and amortized over the useful life of the relevant assets using the straight-line method. A grant related to income is recognized as deferred income if it is related to expenses or loss to be incurred in the future and is carried to profit or loss for the period during which the relevant expenses or loss are recognized; it is recognized in profit or loss for the period during which it is received or becomes receivable if it is related to expenses or loss already incurred. When assets are sold, transferred, disposed or scraped before the end of useful life, the remaining differed income will be transferred to profit or loss in the current period of asset disposal.

The government grants related to the daily activities of the Company are included in other income or offsetting the related costs according to the substance of the economic business. The government grants unrelated to the daily activities are included in the non-operating income and expenses.

Where a recognized grant becomes repayable, the amount repayable is firstly charged to the remaining deferred income (if any); the remaining amount after charge to deferred income is recognized in profit or loss for the period during which it becomes repayable.

4.25 Deferred tax assets and deferred tax liabilities

4.25.1 Current income tax

The current income tax liability (asset) on a balance-sheet date is measured at the amount of current income tax payable (receivable) computed in accordance with the relevant tax law. Current income tax expense is computed on the basis of taxable profit (loss) which is the amount after the adjustment of the relevant accounting profit (loss) in accordance with the relevant tax law.

4.25.2 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized on an accrual basis for the temporary difference between the carrying amounts of assets and liabilities and their tax bases and the temporary difference arising from the difference in recognition criteria for assets and liabilities between CAS and relevant tax provisions.

No deferred tax liability is recognized for the temporary taxable difference arising from the initial recognition of goodwill and the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not business combination, and which do not have impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, the deferred tax liability is not recognized for temporary taxable difference associated with investments in subsidiaries, associates, and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, the deferred tax liability is recognized for all other taxable temporary difference.

No deferred tax asset is recognized for the temporary deductible difference arising from the initial recognition of assets and liabilities acquired or assumed resulting from transactions which are not a business combination, and which do not have an impact on both accounting profit and taxable profit (deductible tax loss) at the time of their occurrence. Similarly, deferred tax asset is not recognized for temporary deductible difference associated with investments in subsidiaries, associates, and joint ventures if the Company can control the reverse of the temporary difference and it is probable that the temporary difference is not expected to reverse in the foreseeable future. Except for the circumstances described hereabove, deferred tax asset is recognized for all other deductible temporary difference to the extent that it is probable that taxable profit will be available against which the temporary deductible difference can be utilized.

Deferred tax asset is recognized for deductible tax loss and tax credit carrying forward to the extent that it is probable that taxable profit will be available against which the deductible tax loss and tax credit carryforward can be utilized.

Deferred tax assets and deferred tax liabilities are measured on a balance-sheet date on the basis of tax rates expected to be applicable in accordance with relevant tax law at the time when the relevant assets are recovered, or relevant liabilities settled.

The carrying amount of deferred tax assets is reviewed on each balance sheet date. If it is probable that insufficient taxable profit is available to utilize the deferred tax assets, the carrying amount of deferred tax assets is reduced. When it is probable that sufficient taxable profit becomes available after the carrying amount of deferred tax assets has been reduced, the reduction is reversed.

4.25.3 Income tax expenses

Income tax expenses include current income tax expenses and deferred income tax expenses.

All current income tax expenses (credit) and deferred income tax expenses (gains) are recognized in

profit or loss for the relevant period except for a. current income tax and deferred income tax on transactions and events which are accounted for in other comprehensive income or directly in equity, which are included in other comprehensive income or directly recognized in equity depending on the treatment of its underlying transactions and events, and b. deferred income tax arising from business combination, which is accounted for as an adjustment to the carrying amount of the respective goodwill.

4.25.4 Offsetting of income tax

A current income tax liability and current income tax asset are presented on (consolidated) financial statements after netting only if the Company is permitted by law to settle the asset and liability net in cash and is planning to do so or to recover the asset and settle the liability simultaneously.

A deferred tax asset and deferred tax liability are presented on (consolidated) financial statements after netting only if all of the following conditions are satisfied: the Company is permitted by law to settle the current asset and liability related to an income tax net in cash; and the deferred tax asset and deferred tax liability arising from that income tax is levied by the same tax authority on the same entity or on different entities but the relevant entities are planning to settle the underlying income tax net in cash or simultaneously recover the relevant assets and settle the relevant liabilities during each future period during which significant deferred tax assets and deferred tax liabilities are reversed.

4.26 Lease

A financial lease is a lease which in substance transfers all risks and rewards attached to the ownership of the leased asset to the lessee although the ownership of the leased asset ultimately may or may not be transferred. An operating lease is any lease that does not fall within the meaning of a financial lease.

4.26.1 Operating lease to which the Company is the lessee

Lease payments for an operating lease to which the Company is the lessee are amortized over the lease term using the straight-line method and recognized in the cost of the relevant asset or expense, whichever is applicable. Initial expenses incurred for activities directly attributable to the lease are recognized in profit or loss for the period during which they are incurred. Contingent rental payments are recognized in profit or loss when they are incurred.

4.26.2 Operating lease to which the Company is the lessor

Rental income from an operating lease to which the Company is the lessor is amortized over the lease term using the straight-line method. Significant initial expenses incurred for activities directly attributable to the lease are capitalized at the time when they are incurred and amortized over the lease term in the same manner as the amortization of rental income; insignificant expenses initial expenses incurred for activities directly attributable to the lease are recognized in profit or loss for the period during which they are incurred. Contingent rental income is recognized in profit or loss when it is received or becomes receivable.

4.26.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognized as the cost of the leased asset; the minimum lease payment is recognized as a long-term payable; and the excess of the long-term payable over the amount recognized as the cost of the leased asset is recognized as unrecognized lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognized as part of the cost of the leased asset. The residual amount after deducting the unrecognized lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognized lease expenditure is amortized over the lease term using the effective interest rate method, and the amortization is recognized as lease expense in profit or loss for the relevant period. Contingency lease rental is recognized in profit or loss when it is incurred.

4.26.4 Financial lease to which the Company is the lessor

At the commencement of a financial lease to which the Company is the lessor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognized as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognized as unrecognized lease income. The residual amount after deducting the unrecognized lease income from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognized lease income is amortized over the lease term using the effective interest rate method, and the amortization is recognized as lease income in profit or loss for the relevant period. Contingency lease rental income is recognized in profit or loss when it is received or becomes receivable.

4.27 Changes in major accounting policies and accounting estimates

4.27.1 Change of accounting policies

On June 15, 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2018 (Accounting No. 15), which has been implemented since June 15, 2018. The Company shall begin to implement the aforementioned accounting standards at the time required by the Ministry of Finance.

4.28 Significant account judgment and estimates

During the application of accounting policies, judgements, estimates, and presumption need to be made for elements of financial statements, which cannot be precisely measured due to inherent uncertainty existing in operating activities. The judgments, estimates, and presumption are made on the basis of the Company's past experience and other relevant factors. The exercise of judgements, estimates, and presumption has an impact on the measurement of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the inherent uncertainty of the judgments, estimates, and presumption may result in future significant adjustments to be made to the measurement of the affected assets and liabilities.

The judgments, estimates, and presumption are regularly reviewed on the basis of going concern. Where a change in accounting estimates is applicable, its impact on financial statements is recognized in the period during which the change occurs if the change has an impact on the financial statements for that period only; and in subsequent periods if the change also has an impact on the financial statements for subsequent periods.

Significant elements of financial statements and areas that are subject to judgements, estimates and presumption on the balance-sheet date include the following.

4.28.1 Classification of lease

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21--Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

4.28.2 Recognition of impairment allowance for receivables

In accordance with accounting policies applicable to receivables, loss arising from impairment of receivables is accounted for by allowance. Impairment of receivables are assessed on the basis of the collectability of receivables and the assessment requires judgements and estimates exercised by the management. Difference between actual results and the estimates will have impact on the carrying amount of receivables and the recognition and reverse of impairment allowance for receivable for the period during which the estimates are changed.

4.28.3 Recognition of impairment allowance for inventories

In accordance with accounting policies applicable to inventories, impairment allowance for inventories is recognized for inventories of which the carrying amount exceeds the net realizable value and inventories which are obsolete or have impaired salability. Loss arising from impairment of inventories is measured on the basis of the salability and net realizable value of the respective inventories. Judgements and estimates regarding impairment allowance for inventories require conclusive evidence obtained by the management and consideration of the purpose of inventory holding, impact

of post balance-sheet-date events and other relevant factors. Difference between actual results and the estimates will have impact on the carrying amount of inventories and the recognition and reverse of impairment allowance for inventories for the period during which the estimates are changed.

4.28.4 Fair value of financial instruments

Fair value of financial instruments which are not quoted in an active market are measured by valuation techniques such as the discounted cash flow model, etc. Estimates of future cash flows, credit risks, market movement and relevance and choice of the appropriate discount rates are required for the measurement. Inherent uncertainty is inevitable in making these estimates and the change of estimates will have impact of the fair value of the respective financial instruments.

4.28.5 Impairment of financial assets available-for-sale

Impairment of available-for-sale financial assets and hence recognition of impairment loss recognized in profit or loss general depend on estimates and presumption made by the management. In making the judgements and estimates, the Company assesses the extent and duration that the cost of an available-for-sale financial asset exceeding its fair value and considers the investee's financial position and short-term prospects, including factors such as industry environment, technology advances, credit rating, default rates, and risks faced by peer entities.

4.28.6 Impairment of non-financial, non-current assets

Non-current assets are assessed for indicators of impairment on each balance sheet date. In addition, intangible assets with infinite useful life are subject to impairment testing on each balance-sheet date and whenever there is evidence indicating impairment; other non-financial non-current assets are subject to impairment testing only if their evidence indicating that the carrying amount becomes non-collectible.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is higher of the residual amount after deducting necessary expenses for disposal from its fair value and the present value of its future cash flows.

An asset's residual amount after deducting necessary expenses for disposal is determined by reference to the residual amount after deducting the incremental costs to dispose the asset from the selling price provided by contracts for sales of similar assets or the observable market price of similar assets.

When estimating the present value of future cash flows of an asset or cash-generating unit, significant judgments must be made regarding the production capacity, selling price, relevant operating costs of the asset or cash-generating unit and relevant discount rates for discounting the cash flows. The Company considers all available relevant information when determining the recoverable amount, including estimates regarding future production capacity, selling price and relevant operating costs made on the basis of reasonable and supportive presumption.

Goodwill is assessed for impairment at least annually. The assessment involves an estimate of the

present value of the future cash flows associated with the assets or groups of assets to which goodwill has been allocated. The estimate considers the future cash flows associated with the assets or groups of assets to which goodwill has been allocated and the applicable discount rates for cash flow discounting.

4.28.7 Depreciation and amortization

Investment property, fixed assets, and intangible assets are depreciated (amortized) over their useful lives using the straight-line method after considering of their residual value. Useful lives of these assets are regularly reviewed for the purpose of determining the depreciation and amortization recognized for each period. Useful lives are determined on the basis of the Company's past experience on similar assets and expected new technology development. If existing estimates change significantly, the adjustment is made to the depreciation and amortization for future periods.

4.28.8 Deferred tax assets

All unutilized tax loss is recognized as deferred tax assets to the extent it is probable that taxable profit will be available against which the deductible tax loss can be utilized. Significant judgments are required to estimate the timing and amount of future taxable profit and to consider tax planning strategy so as to determine the number of deferred tax assets to be recognized.

4.27.9 Income tax

During the ongoing operation of the Company, there is uncertainty in the treatment for and amounts of certain transactions for income tax purpose. For example, the deductibility of certain expenses for income tax purpose is subject to the approval by the relevant tax authority. If the ultimate outcome of the uncertainty differs from the original estimate, the difference will have an impact on the current income tax expenses and deferred income tax expenses for the relevant period.

4.28.10 Accrued liabilities

Provision is recognized for product warranty, onerous contract, buy-back obligation, etc. on the basis of contract terms, current knowledge, and past experiences. A provision is recognized when a contingent event has resulted in a present obligation, the fulfillment of the present obligation will result in an outflow of economic benefits. The amount recognized is the best estimate of expenses that would be incurred to fulfill the present obligation. The recognition and measurement of provisions significantly depend on judgments of the management. In exercising judgment, the Company assesses risks and uncertainty associated with the contingent events and the time value of money, etc.

Note 5 Taxation

5.1 Major taxes and tax rate

Tax	Tax rate (%)
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Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Tax	Tax rate (%)
Value-added tax	Output VAT is charged at 17% or 16% or 6% on taxable income; VAT payable is calculated at the excess of output VAT over input VAT.
Consumption tax	The consumption taxes have been provided at the rate of CNY 1.00 yuan per kg, or 1,000 ml follow the quantity, and the consumption tax has been provided at the rate of 20% of the taxable sales.
Urban maintenance and construction surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 1%, 5%, 7%.
Education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 3%.
Local education surcharge	Sum of VAT payable, consumption duty payable and business tax payable for the reporting period, and exempt and deductible tax at the rate of 2%.
Corporate income tax	See the table below.

The tax rate of the Company's VAT taxable sales behavior or imported goods is 17% originally. According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value-Added Tax Rate" (Cai Shui [2018] No. 32), the applicable tax rate will be adjusted to 16% from May 1, 2018.

The income tax rate of entities:

Entity	Income tax rate
Anhui Longrui Glass Co., Ltd	15%
Anhui Ruisiweier Technology Co., Ltd	15%
Bozhou Gujing Waste Recycling Co., Ltd.	10%
Wuhan Yashibo tech. Co., Ltd.	10%
Hubei Hechuyuan Commercial Co., Ltd.	10%
Hubei Junhe Advertising Co., Ltd.	10%
Anhui Gujing Distillery Co., Ltd and other subsidiaries	25%

5.2 Tax incentives and approval

5.2.1 Anhui Longrui Glass Co., Ltd., a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201734001204) on December 5, 2017 upon the qualification of high-tech enterprise. The certificate valid for three years and the applicable income tax rate in 2018 is 15%.

5.2.2 Anhui Ruisiweier Technology Co., Ltd, a subsidiary of the Company, was granted the High-tech Enterprise Certificate (No. GR201734000832) on October 21, 2017, upon the qualification of high-tech enterprise. The certificate valid for three years and the applicable income tax rate in 2018 is 15%.

5.2.3 According to the "Notice of the Ministry of Finance and the State Administration of Taxation on further expanding the scope of preferential income tax policies regarding small low-profit enterprises" (CaiShui [2018] No. 77), for small low-profit enterprises with an annual taxable income of less than CNY1000,000.00 (including CNY1000,000.00), that the taxable income is calculated by 50% of original taxable income, and the corporate income tax rate is 20% from January 1, 2018 to December 31 2020. The subsidiaries of the Company including Bozhou Gujing Waste Reclamation Co., Ltd., Wuhan Yashibo Technology Co., Ltd., Hubei Junhe Advertising Co., Ltd. and Hubei Hechuyuan Commercial Co., Ltd. meet the conditions for small low-profit enterprises and the actual tax rate for 2018 is 10%.

Note 6 Notes to significant elements of the financial statements

Unless otherwise stated, the meaning of "B/f", "C/f", "Current year", "Prior year" in the following notes (incl. Notes to elements of the separate financial statements) is "January 1, 2018", "December 31, 2018", "the year ended December 31 2018", and "the year ended December 31 2017" respectively.

6.1 Monetary funds

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Cash at hand	353,429.67	369,197.41
Bank deposit	1,705,175,643.46	1,440,617,397.53
Other monetary funds	231,791.99	43,102,031.46
Total	1,705,760,865.12	1,484,088,626.40
Including: The total amount of deposit abroad	0.00	0.00

Note: CNY 870 million of the bank deposit was structured time deposit as at 31/12/2018, which cannot be withdrawn before the expiration date. CNY 200 thousand of other monetary funds were restricted due to pledging for opening bank acceptance as at 31/12/2018. There was no other restriction on the use of money due to mortgages, pledges, etc. as at the reporting date; there was no restriction on cross-border remittance of cash deposited in banks outside of China.

6.2 Financial assets measured by fair value with changes in fair value recognized in profit or loss

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Trading financial assets	622,892.96	99,800.76
Including: invest in equity instrument	622,892.96	99,800.76
Total	622,892.96	99,800.76

6.3 Notes receivable and accounts receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Notes receivable	1,347,427,811.34	720,611,126.78
Accounts receivable	29,748,068.74	22,466,143.06
Total	1,377,175,880.08	743,077,269.84

6.3.1 Notes receivable

6.3.1.1 Disclosure by classification

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Bank acceptance	1,347,427,811.34	720,611,126.78
Total	1,347,427,811.34	720,611,126.78

6.3.1.2 Pledged notes receivable at the end of the current year

Pledged notes receivable as at 31/12/2018 is CNY 30,236,900.00.

6.3.1.3 Immature notes receivable transferred at the end of the current year

Items	Amount derecognized as at 31/12/2018	Amount not derecognized as at 31/12/2018
Bank acceptance	372,603,010.31	0.00
Total	372,603,010.31	0.00

6.3.2 Accounts receivable

6.3.2.1 Disclosure by classification

Items	Balance as at 31/12/2018				Book value
	Carrying amount		Allowance for bad debt		
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually	0.00	0.00	0.00	0.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
assessment for impairment					
Accounts receivable portfolio subject to impairment by credit risk:	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74

(Continued)

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk:	23,800,576.11	100.00	1,334,433.05	5.61	22,466,143.06
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	23,800,576.11	100.00	1,334,433.05	5.61	22,466,143.06

Disclosure by age:

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	29,725,877.02	425,642.08	1.43
Including: within 6 months	26,516,294.24	265,162.94	1.00
7– 12 months	3,209,582.78	160,479.14	5.00

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
1-2 years	497,593.12	49,759.32	10.00
2-3 years	0.00	0.00	0.00
Over 3 years	173,887.87	173,887.87	100.00
Total	30,397,358.01	649,289.27	2.14

6.3.2.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the year is CNY 305,175.40. The amount of allowance for bad debts recovered during the year is CNY 402,548.18.

6.3.2.3 Accounts receivable written off in current year.

Accounts receivable written off in current year is CNY 587,771.00.

6.3.2.4 Details of top five accounts receivable

The total amount of top five accounts receivables summarised by debtors as at the end of the current year is CNY 12,183,035.49, accounting for 40.08% of the total accounts receivable as at the end of current year. The total corresponding allowance for bad debts is CNY 197,792.08.

6.4 Advances to suppliers

6.4.1 Disclosure by age

Age	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Amount	% of total	Amount	% of total
Within 1 year	182,122,465.92	99.76	40,817,554.03	97.81
1 to 2 years	145,534.83	0.08	82,115.23	0.20
2 to 3 years	0.00	0.00	828,648.08	1.99
Over 3 years	290,000.00	0.16	1,320.00	0.00
Total	182,558,000.75	100.00	41,729,637.34	100.00

6.4.2 Details of top five advances to suppliers

The total amount of top five advances to suppliers as at the end of the current year is CNY 166,277,841.03, accounting for 91.08% of the total advances to suppliers.

6.5 Other receivables

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
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Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interests receivable	24,923,178.08	13,883,178.08
Dividends receivable	0.00	0.00
Other receivables	18,419,700.14	15,390,106.14
Total	43,342,878.22	29,273,284.22

6.5.1 Interest receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interest on large deposit receipts	24,923,178.08	13,883,178.08
Total	24,923,178.08	13,883,178.08

6.5.2 Other receivables

6.5.2.1 Disclosure by classification

Items	Balance as at 31/12/2018				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	40,850,949.35	67.20	40,850,949.35	100.00	0.00
Other receivable portfolio subject to impairment by credit risk:	19,942,837.52	32.80	1,523,137.38	7.64	18,419,700.14
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	60,793,786.87	100.00	42,374,086.73	69.70	18,419,700.14

(Continued)

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance	40,850,949.35	71.04	40,850,949.35	100.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
subject to individually assessment for impairment					
Other receivable portfolio subject to impairment by credit risk:	16,651,396.91	28.96	1,261,290.77	7.57	15,390,106.14
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	57,502,346.26	100.00	42,112,240.12	73.24	15,390,106.14

6.5.2.1.1 Other receivables of individual significance and subject to individual impairment assessment

Debtor	Balance as at 31/12/2018			
	Carrying amount	Allowance for bad debt	Rate of Allowance (%)	Reason for allowance
Hengxin Securities	29,010,449.35	29,010,449.35	100.00	Enterprise is in the proceeding of liquidation bankruptcy
Jianqiao Securities	11,840,500.00	11,840,500.00	100.00	Enterprise is in the proceeding of liquidation bankruptcy
Total	40,850,949.35	40,850,949.35	100.00	

6.5.2.1.2 Other receivables using the aging analysis method for measurement of impairment allowances

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	Rate of Allowance (%)
Within 1 year	17,617,762.53	211,840.16	1.20
Including: within 6 months	16,726,199.24	167,261.99	1.00
7-12 months	891,563.29	44,578.17	5.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	Rate of Allowance (%)
1-2 years	934,319.75	93,431.98	10.00
2-3 years	345,780.00	172,890.00	50.00
Over 3years	1,044,975.24	1,044,975.24	100.00
Total	19,942,837.52	1,523,137.38	7.64

6.5.2.2 The classification of other receivables

Nature	Balance as at 31/12/2018	Balance as at 31/12/2017
Investment in securities	40,850,949.35	40,850,949.35
Deposit and guarantee	4,749,457.78	4,593,198.69
Loan for business trip	426,435.85	2,088,800.78
Rent, utilities and gasoline charges	6,786,659.62	6,241,851.35
Others	7,980,284.27	3,727,546.09
Total	60,793,786.87	57,502,346.26

6.5.2.3 Recognition, recovery and reversal of allowance for bad debts

The amount of allowance for bad debts recognized during the year is CNY 261,846.61.

6.5.2.4 Other receivables written off in current year

No written off to bad debts in current year.

6.5.2.5 Details of top five other receivables

Debtor	Relationships	Nature	Carrying amount	Age	% of the total amount	Allowance Balance as at the year-end
1st	Non-related party	Investment in securities	29,010,449.35	Over 3 years	47.72	29,010,449.35
2nd	Non-related party	Investment in securities	11,840,500.00	Over 3 years	19.48	11,840,500.00
3rd	Non-related party	Prepaid oil fees	5,380,076.43	Within 6 months	8.85	53,800.76
4th	Non-related party	Deposit	500,000.00	Within 6 months	0.82	5,000.00
5th	Non-related party	Others	455,943.00	Within 6 months	0.75	4,559.43

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Debtor	Relationships	Nature	Carrying amount	Age	% of the total amount	Allowance Balance as at the year-end
Total			45,704,946.89		77.62	40,914,309.54

6.6 Inventories

6.6.1 Disclosure by classification

Items	Balance as at 31/12/2018		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw materials and packaging	144,856,930.02	13,808,554.40	131,048,375.62
Work in progress	1,957,452,112.24	0.00	1,957,452,112.24
Finished goods	322,031,842.20	3,225,665.20	318,806,177.00
Total	2,424,340,884.46	17,034,219.60	2,407,306,664.86

(Continued)

Items	Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw materials and packaging	132,151,695.59	17,029,623.45	115,122,072.14
Work in progress	1,705,396,599.74	0.00	1,705,396,599.74
Finished goods	258,007,338.23	14,395,712.60	243,611,625.63
Total	2,095,555,633.56	31,425,336.05	2,064,130,297.51

6.6.2 Impairment allowance for inventories

Items	Balance as at 31/12/2017	Increased in current year		Decreased in current year		Balance as at 31/12/2018
		Accrual	Others	Recovered or Written off	Others	
Raw materials and packaging	17,029,623.45	10,354,024.65	0.00	13,575,093.70	0.00	13,808,554.40
Finished goods	14,395,712.60	2,023,864.72	0.00	13,193,912.12	0.00	3,225,665.20
Total	31,425,336.05	12,377,889.37	0.00	26,769,005.82	0.00	17,034,219.60

6.6.3 Reason for impairment recognition and reversal or written-off

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	The basis of recognition of impairment allowance for inventories	The reason for recovering impairment allowance of inventories	The reasons for inventory impairment written-off at the current year
Raw materials and packaging	Net realizable value below cost	Not applicable	Raw materials impaired have been disposed
Finished goods	Net realizable value below cost	Not applicable	Finished goods impaired have been disposed

6.7 Non-current assets due within 1 year

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Non-current assets due within 1 year	300,000,000.00	0.00
Total	300,000,000.00	0.00

6.8 Other current assets

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Financial products	2,758,000,000.00	1,741,000,000.00
Reverse repurchase of pledged treasury bonds	179,900,000.00	0.00
Deductible tax	74,578,687.20	31,310,946.58
Total	3,012,478,687.20	1,772,310,946.58

6.9 Available-for-sale financial assets

6.9.1 General information

Items	Balance as at 31/12/2018			Balance as at 31/12/2017		
	Carrying amount	Impairment	Net carrying amount	Carrying amount	Impairment	Net carrying amount
Available for sale equity instruments	206,393,107.46	0.00	206,393,107.46	517,086,347.91	0.00	517,086,347.91
Including: measured by fair value	206,393,107.46	0.00	206,393,107.46	517,086,347.91	0.00	517,086,347.91
Measured by cost	0.00	0.00	0.00	0.00	0.00	0.00
Total	206,393,107.46	0.00	206,393,107.46	517,086,347.91	0.00	517,086,347.91

6.9.2 The available for sale financial asset which is measured by fair value at the year end

Classification	Equity instrument available for sale	Debt instrument available for sale	Total
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Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Classification	Equity instrument available for sale	Debt instrument available for sale	Total
The cost of the equity instrument or the amortized cost of the debt instrument	200,000,000.00	0.00	200,000,000.00
Fair value	206,393,107.46	0.00	206,393,107.46
The amount of the fair value change recognized into comprehensive income	6,393,107.46	0.00	6,393,107.46
Impairment allowance	0.00	0.00	0.00

6.10 Long-term equity investments

Investee	Balance as at 31/12/2017	Current year movement (+, -)				
		Additional investment	Investment reduction	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity
Investment in associates						
Beijing Guge Trading Co., Ltd.	0.00	4,900,000.00	0.00	0.00	0.00	0.00
Total	0.00	4,900,000.00	0.00	0.00	0.00	0.00

(Continued)

Investee	Current year movement (+, -)			Balance as at 31/12/2018	Allowance as at 31/12/2018
	Declared cash dividends or profits	Allowance recognized	Others		
Investment in associates					
Beijing Guge Trading Co., Ltd.	0.00	0.00	0.00	4,900,000.00	0.00
Total	0.00	0.00	0.00	4,900,000.00	0.00

6.11 Investment property

Items	Houses and buildings	Land use rights	Total
1. Cost:			
1.1 Balance as at 31/12/2017	8,680,555.75	2,644,592.00	11,325,147.75
1.2 Increased in current year	146,888.55	0.00	146,888.55

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Houses and buildings	Land use rights	Total
1.3 Decreased in current year	146,888.55	0.00	146,888.55
1.3.1 Reclassified to fixed assets	146,888.55	0.00	146,888.55
1.3.2 Other transfer out			
1.4 Balance as at 31/12/2018	8,680,555.75	2,644,592.00	11,325,147.75
2. Accumulated depreciation and accumulated amortization			
2.1 Balance as at 31/12/2017	5,393,723.68	587,646.74	5,981,370.42
2.2 Increased in current year	287,616.21	56,026.56	343,642.77
2.2.1 Accrual or amortization	264,677.96	56,026.56	320,704.52
2.2.1 Reclassified from fixed assets	22,938.25	0.00	22,938.25
2.3 Decreased in current year	27,093.97	0.00	27,093.97
2.3.1 Reclassified to fixed assets	27,093.97	0.00	27,093.97
2.3.2 Other decreases			
2.4 Balance as at 31/12/2018	5,654,245.92	643,673.30	6,297,919.22
3. Impairment allowance			
3.1 Balance as at 31/12/2017	0.00	0.00	0.00
3.2 Increased in current year	0.00	0.00	0.00
3.2.1 Accrual	0.00	0.00	0.00
3.3 Decreased in current year	0.00	0.00	0.00
3.3.1 Reclassified to fixed assets	0.00	0.00	0.00
3.3.2 Other transfer out	0.00	0.00	0.00
3.4 Balance as at 31/12/2018	0.00	0.00	0.00
4. Carrying amount			
4.1 Carrying amount as at 31/12/2018	3,026,309.83	2,000,918.70	5,027,228.53
4.2 Carrying amount as at 31/12/2017	3,286,832.07	2,056,945.26	5,343,777.33

6.12 Fixed assets

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Fixed assets	1,763,988,530.56	1,792,254,178.56
Disposal of fixed assets	0.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Total	1,763,988,530.56	1,792,254,178.56

6.12.1 Fixed assets

6.12.1.1 General information

Items	Houses and buildings	Machinery	Vehicles	Office equipment and others	Total
1. Cost:					
1.1 Balance as at 31/12/2017	1,994,106,003.80	885,870,116.23	63,990,533.99	119,237,780.37	3,063,204,434.39
1.2 Increased in current year	38,722,877.19	85,129,907.04	1,289,618.09	52,082,882.67	177,225,284.99
1.2.1 Purchase	0.00	12,202,895.41	1,289,618.09	2,840,576.17	16,333,089.67
1.2.2 Transferred from construction in-progress	38,575,988.64	72,927,011.63	0.00	49,242,306.50	160,745,306.77
1.2.3 Increased in mergers	0.00	0.00	0.00	0.00	0.00
1.2.4 Recovered from rental housing	146,888.55	0.00	0.00	0.00	146,888.55
1.3 Decreased in current year	26,154,081.29	50,977,910.48	7,215,837.88	14,125,666.53	98,473,496.18
1.3.1 Disposal or scrap	26,007,192.74	50,977,910.48	7,215,837.88	14,125,666.53	98,326,607.63
1.3.2 Reclassified to investment property	146,888.55	0.00	0.00	0.00	146,888.55
1.4 Balance as at 31/12/2018	2,006,674,799.70	920,022,112.79	58,064,314.20	157,194,996.51	3,141,956,223.20
2. Accumulated Depreciation					
2.1 Balance as at 31/12/2017	673,130,286.33	441,060,956.92	50,053,304.86	90,358,146.27	1,254,602,694.38
2.2 Increased in current year	85,483,169.07	90,728,790.58	5,664,407.21	12,157,579.88	194,033,946.74
2.2.1 Accrual	85,456,075.10	90,728,790.58	5,664,407.21	12,157,579.88	194,006,852.77
2.2.2 Increased in mergers	0.00	0.00	0.00	0.00	0.00
2.2.3 Recovered from rental housing	27,093.97	0.00	0.00	0.00	27,093.97
2.3 Decreased in current year	20,857,231.99	36,078,772.60	6,687,514.65	12,055,867.23	75,679,386.47

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Houses and buildings	Machinery	Vehicles	Office equipment and others	Total
2.3.1 Disposal or scrap	20,834,293.74	36,078,772.60	6,687,514.65	12,055,867.23	75,656,448.22
2.3.2 Reclassified to investment property	22,938.25	0.00	0.00	0.00	22,938.25
2.4 Balance as at 31/12/2018	737,756,223.41	495,710,974.90	49,030,197.42	90,459,858.92	1,372,957,254.65
3. Impairment allowance					
3.1 Balance as at 31/12/2017	7,061,980.08	8,691,493.68	7,047.07	587,040.62	16,347,561.45
3.2 Increased in current year	0.00	184,505.54	0.00	0.00	184,505.54
3.2.1 Accrual	0.00	184,505.54	0.00	0.00	184,505.54
3.3 Decreased in current year	3,665,687.29	7,855,941.71	0.00	0.00	11,521,629.00
3.3.1 Disposal or scrap	3,665,687.29	7,855,941.71	0.00	0.00	11,521,629.00
3.4 Balance as at 31/12/2018	3,396,292.79	1,020,057.51	7,047.07	587,040.62	5,010,437.99
4. Carrying amount					
4.1 Carrying amount as at 31/12/2018	1,265,522,283.50	423,291,080.38	9,027,069.71	66,148,096.97	1,763,988,530.56
4.2 Carrying amount as at 31/12/2017	1,313,913,737.39	436,117,665.63	13,930,182.06	28,292,593.48	1,792,254,178.56

6.12.1.2 Temporarily idle fixed assets

Items	Carrying value	Depreciation	Impairment	Book value	Notes
Houses and buildings	10,740,209.84	7,238,483.71	3,396,292.79	105,433.34	
Machineries	7,402,990.29	6,323,153.39	1,020,057.51	59,779.39	
Vehicles	58,119.66	49,329.00	7,047.07	1,743.59	
Office equipment and others	927,497.34	312,645.29	587,040.62	27,811.43	
Total	19,128,817.13	13,923,611.39	5,010,437.99	194,767.75	

6.12.1.3 Fixed assets with pending ownership registration

Items	Book value	The reason for pending ownership registration
Houses and buildings	773,281,142.56	In the process

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Book value	The reason for pending ownership registration
Total	773,281,142.56	

6.13 Construction in progress

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Construction in progress	93,320,557.56	54,496,798.56
Engineer material	0.00	0.00
Total	93,320,557.56	54,496,798.56

6.13.1 Construction in progress

6.13.1.1 General information

Items	Balance as at 31/12/2018			Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Gujing party building cultural museum	1,435,187.95	0.00	1,435,187.95	0.00	0.00	0.00
Renovation project of potential safety concerns	1,263,728.57	0.00	1,263,728.57	20,643,371.11	0.00	20,643,371.11
Sewage solution station advanced treatment renovation project	0.00	0.00	0.00	3,634,231.28	0.00	3,634,231.28
Yellow Crane Tower chateau and museum	0.00	0.00	0.00	2,726,775.89	0.00	2,726,775.89
Machine installment	5,596,060.05	0.00	5,596,060.05	1,096,197.71	0.00	1,096,197.71
Desulfurization and denitrification projects	28,768,115.33	0.00	28,768,115.33	0.00	0.00	0.00
Plant outside raindrop and waste net improvement	0.00	0.00	0.00	8,529,729.73	0.00	8,529,729.73
Experience center	0.00	0.00	0.00	1,090,982.34	0.00	1,090,982.34
Brewing automatization technological improvement project	17,307,839.93	0.00	17,307,839.93	113,207.55	0.00	113,207.55

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018			Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Gujing plant half-open wine cellar	30,391,615.08	0.00	30,391,615.08	1,127,033.31	0.00	1,127,033.31
Suizhou new plant phase I project	2,597,498.75	0.00	2,597,498.75	0.00	0.00	0.00
Other individual project with insignificant amounts	5,960,511.90	0.00	5,960,511.90	15,535,269.64	0.00	15,535,269.64
Total	93,320,557.56	0.00	93,320,557.56	54,496,798.56	0.00	54,496,798.56

6.13.1.2 Movement of significant construction in progress

Items	Budget (10,000 yuan)	Balance as at 31/12/2017	Increased in current year	Transferred to fixed assets in current year	Other decreases in current year	Balance as at 31/12/2018
Gujing party building cultural museum	1,160.00	0.00	7,344,278.86	0.00	5,909,090.91	1,435,187.95
Renovation project of potential safety concerns	18,010.76	20,643,371.11	19,145,334.78	38,524,977.32	0.00	1,263,728.57
Sewage solution station advanced treatment renovation project	1,411.54	3,634,231.28	8,705,716.93	12,339,948.21	0.00	0.00
Yellow Crane Tower chateau and museum	2,600.00	2,726,775.89	8,975,749.44	0.00	11,702,525.33	0.00
Machine installment	10,834.65	1,096,197.71	13,654,819.53	9,154,957.19	0.00	5,596,060.05
Desulfurization and denitrification	7,176.00	0.00	28,990,337.55	222,222.22	0.00	28,768,115.33

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Budget (10,000 yuan)	Balance as at 31/12/2017	Increased in current year	Transferred to fixed assets in current year	Other decreases in current year	Balance as at 31/12/2018
projects						
Plant outside raindrop and waste net improvement	1,052.00	8,529,729.73	947,747.75	9,477,477.48	0.00	0.00
Experience center	2,370.00	1,090,982.34	7,943,140.82	0.00	9,034,123.16	0.00
Brewing automatization technological improvement project	27,430.00	113,207.55	26,198,264.71	9,003,632.33	0.00	17,307,839.93
Gujing plant half-open wine cellar	11,194.15	1,127,033.31	72,766,963.69	43,502,381.92	0.00	30,391,615.08
Suizhou new plant phase I project	26,000.00	0.00	2,597,498.75	0.00	0.00	2,597,498.75
Network architecture optimization project	950.00	0.00	4,358,974.36	4,358,974.36	0.00	0.00
4,800 tons of semi-open tank area	955.00	0.00	8,706,679.97	8,706,679.97	0.00	0.00
Other individual project with insignificant amounts	7,628.67	15,535,269.64	37,343,260.57	25,454,055.77	21,463,962.54	5,960,511.90
Total	118,772.77	54,496,798.56	247,678,767.71	160,745,306.77	48,109,701.94	93,320,557.56

(Continued)

Items	Accumulated project investment as a percentage of budget (%)	Stage of completion	The cumulative amount of interest capitalized	Including interests capitalized in current year	Capitalization rate applicable to the current year (%)	Financial resources
Gujing party building cultural museum	63.31	95.00	0.00	0.00	0.00	Internal funds
Renovation project of potential safety concerns	82.00	93.00	0.00	0.00	0.00	Internal funds
Sewage solution station advanced treatment renovation project	87.42	100.00	0.00	0.00	0.00	Internal funds
Yellow Crane Tower chateau and museum	45.01	100.00	0.00	0.00	0.00	Internal funds
Machine installment	13.61	13.61	0.00	0.00	0.00	Internal funds
Desulfurization and Denitrification Projects	40.40	40.40	0.00	0.00	0.00	Internal funds
Plant outside raindrop and waste net improvement	90.09	100.00	0.00	0.00	0.00	Internal funds
Experience center	38.12	100.00	0.00	0.00	0.00	Internal funds
Brewing automatization technological improvement project	9.59	9.59	0.00	0.00	0.00	Internal funds

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Accumulated project investment as a percentage of budget (%)	Stage of completion	The cumulative amount of interest capitalized	Including interests capitalized in current year	Capitalization rate applicable to the current year (%)	Financial resources
Gujing plant half-open wine cellar	66.01	66.01	0.00	0.00	0.00	Internal funds
Suizhou new plant phase I project	1.00	1.00	0.00	0.00	0.00	Internal funds
Network architecture optimization project	45.88	100.00	0.00	0.00	0.00	Internal funds
4,800 tons of semi-open tank area	91.17	100.00	0.00	0.00	0.00	Internal funds
Other individual project with insignificant amounts	69.32	69.32	0.00	0.00	0.00	Internal funds
Total	—	—	0.00	0.00	0.00	

6.14 Intangible assets

Items	Land rights	Patents	Software	Trademark	Total
1. Cost:					
1.1 Balance as at 31/12/2017	628,279,302.56	45,889,466.19	16,616,834.45	169,116,600.00	859,902,203.20
1.2 Increased in current year	55,172,000.00	0.00	15,489,351.28	0.00	70,661,351.28
1.2.1 Purchase	55,172,000.00	0.00	3,195,363.38	0.00	58,367,363.38
1.2.2 Internal research and	0.00	0.00	0.00	0.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Land rights	Patents	Software	Trademark	Total
development					
1.2.3 Transferred from construction in progress	0.00	0.00	12,293,987.90	0.00	12,293,987.90
1.3 Decreased in current year	0.00	0.00	0.00	0.00	0.00
1.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
1.4 Balance as at 31/12/2018	683,451,302.56	45,889,466.19	32,106,185.73	169,116,600.00	930,563,554.48
2. Accumulated amortization					
2.1 Balance as at 31/12/2017	115,286,620.37	45,721,513.97	7,162,253.07	350,373.12	168,520,760.53
2.2 Increased in current year	14,107,738.90	48,077.76	5,782,472.16	20,896.03	19,959,184.85
2.2.1 Accrual	14,107,738.90	48,077.76	5,782,472.16	20,896.03	19,959,184.85
2.3 Decreased in current year	0.00	0.00	0.00	0.00	0.00
2.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
2.4 Balance as at 31/12/2018	129,394,359.27	45,769,591.73	12,944,725.23	371,269.15	188,479,945.38
3. Impairment allowance					
3.1 Balance as at 31/12/2017	0.00	0.00	0.00	0.00	0.00
3.2 Increased in current year	0.00	0.00	0.00	0.00	0.00
3.2.1 Accrual	0.00	0.00	0.00	0.00	0.00
3.3 Decreased in	0.00	0.00	0.00	0.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Land rights	Patents	Software	Trademark	Total
current year					
3.3.1 Disposal	0.00	0.00	0.00	0.00	0.00
3.4 Balance as at 31/12/2018	0.00	0.00	0.00	0.00	0.00
4. Carrying amount	0.00	0.00	0.00	0.00	0.00
4.1 Carrying amount as at 31/12/2018	554,056,943.29	119,874.46	19,161,460.50	168,745,330.85	742,083,609.10
4.2 Carrying amount as at 31/12/2017	512,992,682.19	167,952.22	9,454,581.38	168,766,226.88	691,381,442.67

6.15 Goodwill

The name of the investee or the formation of goodwill	Balance as at 31/12/2017	Increased in current year		Decreased in current year		Balance as at 31/12/2018
		Business combination	Others	Disposal	Others	
Yellow Crane Tower Wine Co., Ltd.	478,283,495.29	0.00	0.00	0.00	0.00	478,283,495.29
Total	478,283,495.29	0.00	0.00	0.00	0.00	478,283,495.29

Note: According to the actual financial data and budget information, the Company estimated net cash flow of the assets to determine the recoverable amount. According to the “Asset appraisal report” (Huaxin Zhonghe Pingbao Zi [2019] A07-0005 Hao) issued by Beijing Huaxin Public Assets Appraisal Co., Ltd. Shenzhen Branch, the future net cash flow is greater than the book value and there is no impairment of the goodwill.

6.16 Deferred charges

Items	Balance as at 31/12/2017	Increased in current year	Decreased by amortization in current year	Decreased by other reasons in current year	Balance as at 31/12/2018	The reason for other decreases
Experience	34,903,232.18	9,034,123.16	7,265,378.03	0.00	36,671,977.31	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017	Increased in current year	Decreased by amortization in current year	Decreased by other reasons in current year	Balance as at 31/12/2018	The reason for other decreases
center						
Pottery	10,652,526.78	0.00	4,407,942.00	0.00	6,244,584.78	0.00
Sewage treatment project	3,650,000.00	0.00	600,000.00	0.00	3,050,000.00	0.00
Yellow Crane Tower chateau and museum	7,567,753.85	11,702,525.33	2,738,612.72	0.00	16,531,666.46	0.00
Gujing party building cultural center	0.00	5,909,090.91	0.00	0.00	5,909,090.91	0.00
Other individual project with insignificant amounts	12,465,010.97	9,169,974.64	6,480,831.61	0.00	15,154,154.00	0.00
Total	69,238,523.78	35,815,714.04	21,492,764.36	0.00	83,561,473.46	0.00

6.17 Deferred tax assets and deferred tax liabilities

6.17.1 Details of recognized deferred tax assets

Items	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Allowance for bad debts	43,023,376.00	10,749,392.31	43,446,673.17	10,853,076.08
Allowance for inventory impairment	17,018,004.85	4,219,328.16	31,398,636.15	7,804,115.47
Allowance for fixed asset impairment	5,010,437.99	1,252,609.50	16,319,563.99	4,079,686.68

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deferred income	76,636,500.55	18,877,272.61	43,706,503.22	10,614,699.02
Accrued expenses and discount	153,988,413.40	38,497,103.35	170,866,990.79	42,716,747.69
Recoverable tax loss	111,851.71	5,592.58	36,422,859.63	9,100,740.51
Non-realized internal profit	16,788,054.95	4,181,824.54	8,947,215.47	2,236,803.87
Changes in fair value of trading financial assets	117,161.92	29,290.48	0.00	0.00
Carry-over of payroll payables deductible during the next period	35,071,030.14	8,767,757.53	19,804,188.04	4,751,608.42
Total	347,764,831.51	86,580,171.06	370,912,630.46	92,157,477.74

6.17.2 Details of recognized deferred tax liabilities

Items	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Changes in fair value of trading financial assets	0.00	0.00	44,379.27	11,094.82
Changes in fair value of available-for-sale financial assets	6,393,107.46	1,598,276.87	71,361,103.28	17,840,275.82
Difference in accelerated depreciation of fixed assets	12,921,842.60	3,230,460.65	7,851,477.60	1,962,869.40
Appreciation of assets by business combination under non-common control	391,743,110.36	97,935,777.59	399,859,463.44	99,964,865.86
Total	411,058,060.42	102,764,515.11	479,116,423.59	119,779,105.90

6.17.3 Unrecognized deferred tax assets

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Deductible temporary difference	16,214.75	54,697.36

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Taxable temporary differences	5,089,008.12	4,331,653.92
Total	5,105,222.87	4,386,351.28

6.17.4 The deductible losses of unrecognized deferred tax assets will be expired in the following year

Year	Balance as at 31/12/2018	Balance as at 31/12/2017	Note
Year 2019	0.00	0.00	
Year 2020	2,059,849.97	2,059,849.97	
Year 2021	1,444,700.17	1,444,700.17	
Year 2022	827,103.78	827,103.78	
Year 2023	757,354.20	0.00	
Total	5,089,008.12	4,331,653.92	

6.18 Other non-current assets

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Large amount certified savings	0.00	300,000,000.00
Prepayments for equipment and properties	16,544,407.51	17,910,214.56
Total	16,544,407.51	317,910,214.56

Note: The ending balance of large amount certified savings as at 31/12/2018 is CNY 300.00 million, which will expire on September 28, 2019, and has been reclassified to non-current assets due within one year.

6.19 Notes payable and accounts payable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Notes payable	349,203,413.72	200,750,000.00
Accounts payable	484,952,598.59	435,615,039.83
Total	834,156,012.31	636,365,039.83

6.19.1 Notes payable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Bank acceptance	320,554,500.00	200,750,000.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Trade acceptance	28,648,913.72	0.00
Total	349,203,413.72	200,750,000.00

6.19.2 Accounts payable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Material	277,765,943.47	260,407,500.55
Project and Equipment	111,498,555.89	89,176,879.87
Others	95,688,099.23	86,030,659.41
Total	484,952,598.59	435,615,039.83

6.19.2.2 The details of significant accounts payable remaining unsettled for more than 1 year

Reason(s) for unsettlement	Balance as at 31/12/2018	Reason(s) for unsettlement
Company A	7,454,526.71	Residual project balance
Company B	3,744,927.40	Residual project balance
Company C	3,445,131.03	Residual project balance
Company D	1,115,215.57	Residual project balance
Company E	1,090,000.00	Residual equipment balance
Total	16,849,800.71	

6.20 Advances from customers

6.20.1 Detail for advances from customers

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Payments for goods	1,149,143,310.48	503,083,108.13
Total	1,149,143,310.48	503,083,108.13

6.20.2 Significant advances from customers aged over 1 year

No significant account payable due for more than 1 year as at the reporting date.

6.21 Employee benefits payable

6.21.1 Disclosure by classification

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017	Increased during the current year	Decreased during the current year	Balance as at 31/12/2018
1. Short-term employee benefits	371,459,202.44	1,561,557,943.08	1,476,081,272.58	456,935,872.94
2. Post-employment benefits	914,811.93	81,031,913.54	81,583,121.98	363,603.49
3. Termination benefits	0.00	0.00	0.00	0.00
4. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	372,374,014.37	1,642,589,856.62	1,557,664,394.56	457,299,476.43

6.21.2 Disclosure by classification of short-term employee benefits

Items	Balance as at 31/12/2017	Increased during the current year	Decreased during the current year	Balance as at 31/12/2018
1. Wages, salaries and subsidies	298,131,004.17	1,381,473,440.29	1,307,960,973.59	371,643,470.87
2. Employee welfare	3,692,980.00	64,378,534.03	61,603,351.03	6,468,163.00
3. Social insurance:	236,208.08	36,887,387.41	36,890,384.58	233,210.91
Including: Medical insurance	196,904.35	31,252,541.03	31,222,628.48	226,816.90
Employment injury insurance	20,069.87	2,515,768.68	2,534,350.88	1,487.67
Maternity insurance	19,233.86	3,119,077.70	3,133,405.22	4,906.34
4. Housing provident fund	9,051,999.88	47,074,411.51	53,259,083.93	2,867,327.46
5. Labor union fees and employee education fees	60,347,010.31	31,744,169.84	16,367,479.45	75,723,700.70
6. Short-term paid absence	0.00	0.00	0.00	0.00
7. Short-term profit sharing plan	0.00	0.00	0.00	0.00
Total	371,459,202.44	1,561,557,943.08	1,476,081,272.58	456,935,872.94

6.22.3 Disclosure by defined contribution plan

Category	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2018
1. Basic pension	867,739.31	77,583,936.22	78,103,780.65	347,894.88
2. Unemployment insurance	47,072.62	3,447,977.32	3,479,341.33	15,708.61

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Category	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2018
Total	914,811.93	81,031,913.54	81,583,121.98	363,603.49

6.22 Taxes and fees payable

Tax (Fees)	Balance as at 31/12/2018	Balance as at 31/12/2017
VAT	162,028,367.23	78,832,243.10
Consumption tax	99,133,181.43	210,532,348.09
Enterprise income tax	75,107,410.70	92,299,563.98
Personal income tax	1,307,281.11	3,949,866.64
Urban construction and maintenance tax	13,142,342.60	11,904,195.78
Stamp duty	549,270.06	486,594.48
Education surcharge	12,301,477.16	11,127,386.19
Others	9,424,293.89	11,852,647.19
Total	372,993,624.18	420,984,845.45

6.23 Other payables

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interests payable	0.00	0.00
Dividends payable	0.00	0.00
Other payables	1,192,020,147.82	1,032,543,553.34
Total	1,192,020,147.82	1,032,543,553.34

6.23.1 Other payables

6.23.1.1 Disclosure by classification

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Security deposit	1,064,059,562.95	874,462,125.60
Business trip borrowing	145,447.82	702,716.60
Guarantee	14,693,150.14	12,061,326.71
Personal housing provident fund paid by company	2,867,327.46	9,051,999.88

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Unsettled discount	30,212,626.88	54,471,463.99
Others	80,042,032.57	81,793,920.56
Total	1,192,020,147.82	1,032,543,553.34

6.23.1.2 Significant other payables aged over 1 year

No significant other payables due for more than 1 year as at the reporting date.

6.24 Other current liabilities

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Accrued expenses	295,164,745.44	182,846,942.10
Total	295,164,745.44	182,846,942.10

6.25 Deferred income

Items	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2018	Reasons
Government grants	43,706,503.22	39,955,200.00	7,025,202.67	76,636,500.55	Receiving government subsidies related to assets
Total	43,706,503.22	39,955,200.00	7,025,202.67	76,636,500.55	—

Involving government grants' projects:

Items	Balance as at 31/12/2017	Increased in current year	Included in non-operating income in current year	Included in other income and gain in current year	Other changes	Balance as at 31/12/2018	Related to asset or income
Wine production system technical transformation	317,708.39	0.00	0.00	62,499.96	0.00	255,208.43	Related to asset
Instrument subsidy	1,212,750.00	0.00	0.00	220,500.00	0.00	992,250.00	Related to asset
Intelligent solid brewing technology innovation project	182,291.61	0.00	0.00	31,250.04	0.00	151,041.57	Related to asset

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017	Increased in current year	Included in non-operating income in current year	Included in other income and gain in current year	Other changes	Balance as at 31/12/2018	Related to asset or income
Anhui province development of direct funds of service industry	1,380,487.88	0.00	0.00	292,682.88	0.00	1,087,805.00	Related to asset
Anhui province subsidy of innovative province construction capacity for independent innovation	3,409,210.00	0.00	0.00	730,545.00	0.00	2,678,665.00	Related to asset
Energy efficiency renovation project for coal industrial boiler and glass furnace	165,750.00	0.00	0.00	153,000.00	0.00	12,750.00	Related to asset
Bozhou logistics center project	120,000.00	0.00	0.00	60,000.00	0.00	60,000.00	Related to asset
Equipment subsidy	865,168.63	592,600.00	0.00	205,706.26	0.00	1,252,062.37	Related to asset
Finance subsidy for energy saving projects	465,956.93	0.00	0.00	465,956.93	0.00	0.00	Related to asset
Finance subsidy for technical reconstruction	950,152.42	0.00	0.00	534,221.52	0.00	415,930.90	Related to asset
Enterprise development funds	82,500.00	0.00	0.00	30,000.00	0.00	52,500.00	Related to asset

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017	Increased in current year	Included in non-operating income in current year	Included in other income and gain in current year	Other changes	Balance as at 31/12/2018	Related to asset or income
Internet traceability system project	4,083,750.00	0.00	0.00	1,113,750.00	0.00	2,970,000.00	Related to asset
Subsidy for suizhou new factory infrastructure	0.00	35,338,000.00	0.00	0.00	0.00	35,338,000.00	Related to asset
Motor and boiler energy-saving technical transformation project	550,000.16	0.00	0.00	137,499.96	0.00	412,500.20	Related to asset
Automation of check and storage, on-line monitoring of product quality	453,125.00	0.00	0.00	93,750.00	0.00	359,375.00	Related to asset
Funds for research projects of koji-making Technology	563,400.00	322,800.00	0.00	0.00	0.00	886,200.00	Related to asset
Gujing Zhangji wine cellar optimization and reconstruction project	930,208.35	0.00	0.00	47,499.96	0.00	882,708.39	Related to asset
Subsidy for food safety	965,517.25	0.00	0.00	137,931.00	0.00	827,586.25	Related to asset

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Balance as at 31/12/2017	Increased in current year	Included in non-operating income in current year	Included in other income and gain in current year	Other changes	Balance as at 31/12/2018	Related to asset or income
improvement project							
Subsidy for key technical cooperation project on the authenticity of important food isotopes	480,000.00	120,000.00	0.00	0.00	0.00	600,000.00	Related to asset
Comprehensive subsidy fund for air pollution prevention and control	2,865,286.31	1,841,000.00	0.00	2,098,202.98	0.00	2,608,083.33	Related to asset
Funds for strategic emerging industry agglomeration development base	0.00	1,020,800.00	0.00	0.00	0.00	1,020,800.00	Related to asset
Land repayments	23,663,240.29	0.00	0.00	550,206.18	0.00	23,113,034.11	Related to asset
Specific funds for side management of power demand	0.00	720,000.00	0.00	60,000.00	0.00	660,000.00	Related to asset
Total	43,706,503.22	39,955,200.00	0.00	7,025,202.67	0.00	76,636,500.55	Related to asset

6.26 Share capital

Items	Balance as	Current year movement (+, -)	Balance as
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Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

	at 31/12/2017	Share issue	Bonus issue	Conversion from reserves	Others	Subtotal	at 31/12/2018
Total shares	503,600,000.00	0.00	0.00	0.00	0.00	0.00	503,600,000.00

6.27 Capital reserves

Items	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2018
Share premium	1,262,552,456.05	0.00	0.00	1,262,552,456.05
Other capital reserves	32,853,136.20	0.00	0.00	32,853,136.20
Total	1,295,405,592.25	0.00	0.00	1,295,405,592.25

6.28 Other comprehensive income

Items	Balance as at 31/12/2017	Total amount in current year					Balance as at 31/12/2018
		The amount for the year before tax	Less: previously recognized in other comprehensive income transferred into profit or loss	Less: Income tax expense	After tax attributable to the parent company	After tax attributable to minority shareholders	
1.Other comprehensive income that will not be reclassified into income or loss in the future	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.Other comprehensive income that will be reclassified into income or loss in the future	53,520,827.44	-64,967,995.80	0.00	-16,241,998.95	-48,725,996.85	0.00	4,794,830.59
Including: fair value change of financial asset available for sale	53,520,827.44	-64,967,995.80	0.00	-16,241,998.95	-48,725,996.85	0.00	4,794,830.59
Total	53,520,827.44	-64,967,995.80	0.00	-16,241,998.95	-48,725,996.85	0.00	4,794,830.59

6.29 Surplus reserves

Items	Balance as at 31/12/2017	Increased during the current year	Decreased during the current year	Balance as at 31/12/2018
Statutory surplus reserve	256,902,260.27	0.00	0.00	256,902,260.27
Total	256,902,260.27	0.00	0.00	256,902,260.27

Note: In accordance with the Company Laws and articles of association, the statutory surplus reserve is accrued at 10 % of net profit of the Company until accumulated amount of such reserve balance reaches 50% of the Company's registered capital.

After the Company draws the statutory surplus reserve, it may, upon a resolution made by the shareholders' meeting or the shareholders' assembly, draw a discretionary surplus reserve from the after-tax profits. Discretionary surplus reserve as approved by the shareholders in the shareholders' meeting can be used to compensate for previous years' losses or increase the capital.

6.30 Retained earnings

Items	Current year	Prior year
Pre-adjustment balance brought forward	4,349,649,698.42	3,503,069,053.49
Total adjustment to retained earnings b/f (+, -)	0.00	0.00
Retained earnings b/f after adjustment	4,349,649,698.42	3,503,069,053.49
Add: Net profit attributable to shareholders of the parent	1,695,231,643.05	1,148,740,644.93
Less: Appropriation to statutory surplus reserve	0.00	0.00
Appropriation to discretionary surplus reserve	0.00	0.00
Appropriation to general reserve	0.00	0.00
Ordinary dividends declared	503,600,000.00	302,160,000.00
Ordinary dividends transformed into capital share	0.00	0.00
Balance carrying forward	5,541,281,341.47	4,349,649,698.42

6.31 Operating revenues and costs

Items	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Principal business	8,643,055,572.55	1,902,024,741.16	6,929,908,097.27	1,621,229,551.29
Other business	43,084,764.34	30,040,096.49	38,416,951.28	21,358,505.14

Items	Current year		Prior year	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Total	8,686,140,336.89	1,932,064,837.65	6,968,325,048.55	1,642,588,056.43

6.32 Taxes and surcharges

Items	Current year	Prior year
Consumption tax	1,018,772,391.98	904,625,930.39
Urban maintenance and construction tax, education surcharges	215,702,291.57	188,715,125.64
Urban land used tax	11,230,378.26	12,397,015.39
Property tax	16,405,271.90	16,060,596.57
Stamp duty	6,914,493.16	6,940,758.86
Others	9,882,693.22	7,578,557.14
Total	1,278,907,520.09	1,136,317,983.99

Note: The provision standards for main taxes and surcharges refer to Note 5 Taxation.

6.33 Selling expenses

Items	Current year	Prior year
Employment benefits	443,674,013.14	364,764,051.91
Travel fees	105,558,192.51	90,182,846.13
Advertisement fees	643,845,577.77	584,523,553.79
Transportation charges	50,301,343.18	46,746,599.61
Comprehensive promotion costs	981,647,916.98	671,510,580.38
Service fees	374,712,968.67	332,660,815.27
Others	82,795,293.01	79,692,936.45
Total	2,682,535,305.26	2,170,081,383.54

6.34 General and administrative expenses

Items	Current year	Prior year
Employment benefits	381,810,225.86	336,281,912.51
Office fees	36,115,375.96	21,662,534.77
Maintenance expenses	75,819,068.26	60,554,699.33

Items	Current year	Prior year
Depreciation	59,437,594.57	56,988,816.81
Amortization of intangible assets	19,959,184.85	15,883,489.46
Pollution discharge	14,533,149.92	10,242,055.85
Travel expenses	2,868,419.04	2,350,858.72
Water and electricity charges	10,176,771.91	10,126,700.40
Others	44,277,256.28	76,967,141.79
Total	644,997,046.65	591,058,209.64

6.35 Research and development expenses

Items	Current year	Prior year
Payroll expenses	10,076,055.90	6,253,936.13
Direct input costs	2,932,841.66	1,111,894.55
Depreciation expenses	2,652,902.88	1,692,643.58
Others	8,304,965.60	3,436,275.20
Total	23,966,766.04	12,494,749.46

6.36 Financial costs

Items	Current year	Prior year
Interest expenses	15,408,022.76	0.00
Less: Interest income	68,964,800.42	30,406,069.89
Exchange gain or loss	674,321.43	406,630.04
Others	1,309,826.50	4,072,154.03
Total	-51,572,629.73	-25,927,285.82

Note: The interest expenses for this year are the discounted interest on bank acceptance bills.

6.37 Loss on asset impairment

Items	Current year	Prior year
Allowance for bad debt	164,473.83	-555,400.26
Allowance for inventory impairment	12,377,889.37	23,255,647.09
Allowance for fixed asset impairment	184,505.54	10,853,898.47
Total	12,726,868.74	33,554,145.30

6.38 Other income and gain

Items	Current year	Prior year	Recognized into current year non-recurring profit and loss
Tax refund	18,279,633.65	20,901,711.56	18,279,633.65
Deferred income amortization	7,025,202.67	5,987,292.23	7,025,202.67
Other government grants related to operating activities	10,396,838.13	5,831,112.81	10,396,838.13
Total	35,701,674.45	32,720,116.60	35,701,674.45

6.39 Investment income

Items	Current year	Prior year
Investment income from disposal of financial assets measured by fair value with changes in fair value recognized in profit or loss	1,238,951.28	3,782,651.28
Investment income from held-to-maturity investments during the holding period	96,034,262.28	77,626,230.13
Investment income from available for sale financial asset during the holding period	22,103,586.91	10,109,229.98
Investment income from disposal of financial assets available for sale	17,575,818.71	50,875,246.87
Others	11,262,849.44	11,040,000.00
Total	148,215,468.62	153,433,358.26

6.40 Gain from changes in fair value

Source of fair value change	Current year	Prior year
Financial assets measured by fair value with changes in fair value recognized in profit or loss	-161,541.19	-113,260.71
Including: Derivative financial assets	0.00	0.00
Total	-161,541.19	-113,260.71

6.41 Gain from asset disposals

Items	Current year	Prior year	Recognized into current year non-recurring profit and loss
Gain from fixed asset disposals	526,066.38	254,763.27	526,066.38
Total	526,066.38	254,763.27	526,066.38

6.42 Non-operating income

Items	Current year	Prior year	Recognized into current year non-recurring profit and loss
Gain on non-current asset disposals	75,031.16	93,990.84	75,031.16
Government grants related to non-operating activities	340,000.00	1,537,851.79	340,000.00
Income from penalties	18,476,297.19	18,975,266.00	18,476,297.19
Sales of wastes	15,074,253.13	7,220,268.09	15,074,253.13
Accounts payable no need to pay back	248,222.02	195,283.04	248,222.02
Others	1,076,176.94	2,118,638.39	1,076,176.94
Total	35,289,980.44	30,141,298.15	35,289,980.44

Government grants included in current profit and loss:

Items	Current year			Prior year			Related to asset or income
	Included in non-operating income	Included in other income and gain	Cost reduction	Included in non-operating income	Included in other income and gain	Cost reduction	
High-tech enterprise recognition award	0.00	0.00	0.00	600,000.00	0.00	0.00	Related to income
Other incentives	140,000.00	0.00	0.00	937,851.79	0.00	0.00	Related to income
Taxpayer bonus in xanning high-tech district	100,000.00	0.00	0.00	0.00	0.00	0.00	Related to income
Yaohai district shengli street awards	100,000.00	0.00	0.00	0.00	0.00	0.00	Related to income
Total	340,000.00	0.00	0.00	1,537,851.79	0.00	0.00	

6.43 Non-operating expenses

Items	Current year	Prior year	Recognized in current year non-recurring profit and loss
Loss on non-current asset disposals	10,661,117.09	11,007,817.56	10,661,117.09
Others	2,499,058.39	1,369,000.22	2,499,058.39
Total	13,160,175.48	12,376,817.78	13,160,175.48

6.44 Income tax expenses

6.44.1 Classification

Items	Current year	Prior year
Current tax	623,207,719.69	414,788,420.05
Deferred tax	4,804,714.84	12,197,106.29
Total	628,012,434.53	426,985,526.34

6.44.2 The adjustment process of accounting profit and income tax expenses

Items	Current year
Profit before tax	2,368,926,095.41
According to the statutory/applicable tax rate calculation of the income tax expenses	592,231,523.85
Influence of different tax rates of subsidiaries	-10,281,263.00
The effect of adjustment prior period income tax	-8,645,076.42
The influence of the untaxable income	-2,024,760.48
The influence of the undeduction of costs, expenses, and losses	64,801,766.25
The influence of using the preliminary period deductible losses of unconfirmed deferred income tax assets	0.00
The influence of the unconfirmed deferred income tax assets attributable to the temporary deductible difference or deductible losses	189,338.55
Tax rate adjustment to the beginning balance of deferred income tax assets/liabilities	5,059.63
Income tax credits	-750,000.00
Collectively deductions	-7,514,153.85
Income tax expenses	628,012,434.53

6.45 Other comprehensive income

Please see Note 6.28 for detail.

6.46 Notes to the statement of cash flows

6.46.1 Other cash receipts relating to operating activities

Items	Current year	Prior year
Guarantee deposit	159,476,594.48	332,307,988.61
Government grants	50,692,038.13	7,368,964.60
Interest income	68,964,800.42	30,406,069.89
Release of restricted monetary funds	460,000,000.00	5,060,000.00
Others	34,874,949.28	34,921,023.48
Total	774,008,382.31	410,064,046.58

6.46.2 Other cash payments relating to operating activities

Items	Current year	Prior year
Cash paid in sales expenses and general and administrative expense	1,837,245,742.21	1,423,094,520.43
Time deposits or deposits pledged for the issuance of notes payable	200,000.00	10,000,000.00
Structured time deposits that cannot be withdrawn in advance	870,000,000.00	450,000,000.00
Others	7,774,646.93	5,441,154.25
Total	2,715,220,389.14	1,888,535,674.68

6.46.3 Other cash receipts relating to investing activities

Items	Current year	Prior year
Government grants related to assets	0.00	5,715,000.00
Total	0.00	5,715,000.00

6.46.4 Other cash payments relating to financing activities

Items	Current year	Prior year
Logout subsidiary	16,553.34	0.00
Total	16,553.34	0.00

6.47 Supplementary information to the statement of cash flows

6.47.1 Reconciliation of cash flows from operating activities to net profit

Items	Current year	Prior year
① Reconciliation of cash flows from operating activities to net profit:		
Net profit	1,740,913,660.88	1,185,231,737.46

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Items	Current year	Prior year
Add: Loss on asset impairment	12,726,868.74	33,554,145.30
Depreciation of fixed assets, oil and gas assets, biological assets held for production	194,006,852.77	190,087,889.14
Amortization of Investment property	320,704.52	387,313.52
Amortization of intangible assets	19,959,184.85	15,883,489.46
Amortization of Long-term deferred expenditure	21,492,764.36	39,767,964.81
Loss on non-current assets disposal (gain presented by "-" prefix)	-526,066.38	-254,763.27
Loss on scrap of fixed assets (gain presented by "-" prefix)	10,586,085.93	10,913,826.72
Loss on fair value changes (gain presented by "-" prefix)	161,541.19	113,260.71
Financial costs (gain presented by "-" prefix)	15,408,022.76	0.00
Investment loss (gain presented by "-" prefix)	-148,215,468.62	-153,433,358.26
Decrease of deferred tax assets (increase presented by "-" prefix)	5,577,306.68	15,497,119.41
Increase of deferred tax liabilities (increase presented by "-" prefix)	-772,591.84	-3,300,013.12
Decrease of inventories (increase presented by "-" prefix)	-328,785,250.90	-291,841,632.64
Decrease of operating receivables (increase presented by "-" prefix)	-876,884,454.15	-204,643,428.43
Increase of operating payables (decrease presented by "-" prefix)	1,192,137,327.83	548,938,454.20
Amortization of deferred income	-7,025,202.67	-5,987,292.23
Structured time deposits that cannot be withdrawn in advance	-410,200,000.00	-450,000,000.00
Net cash flows generated from operating activities	1,440,881,285.95	930,914,712.78
② Significant investing and financing activities involve no cash:		
Debt-to-capital conversion	0.00	0.00
Convertible loan due within one year	0.00	0.00
Fixed assets acquired under financial lease	0.00	0.00
③ Movement of cash and cash equivalents:		
Cash as at 31/12/2018	835,560,865.12	1,024,088,626.40
Less: Cash as at 1/1/2018	1,024,088,626.40	527,849,026.07
Add: Cash equivalents as at 31/12/2018	0.00	0.00
Less: Cash equivalents as at 1/1/2018	0.00	0.00

Items	Current year	Prior year
Net increase of cash and cash equivalents	-188,527,761.28	496,239,600.33

6.47.2 Composition of cash and cash equivalents

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
① Cash	835,560,865.12	1,024,088,626.40
Including: Cash at hand	353,429.67	369,197.41
Demand bank deposit	835,175,643.46	990,617,397.53
Demand other monetary funds	31,791.99	33,102,031.46
② Cash equivalents	0.00	0.00
Including: Debt instrument matured within three months	0.00	0.00
③ Cash and cash equivalents as at 31/12/2018	835,560,865.12	1,024,088,626.40

6.47.3 Trade acceptance endorsement not involved in cash receipts and disbursements

Items	Amounts
Amounts of trade acceptance endorsement	942,921,055.90
Within: Paying goods	921,234,547.73
Paying long-term assets	13,318,643.47
Other payments	8,367,864.70

6.48 The assets whose ownership or usages are restricted

Items	Book value at 12/31/2018	Reasons for restrictions
Bank deposit	870,000,000.00	Structured time deposit which cannot be withdrawn in advance and will expire after 3 months
Current assets	18,000,000.00	Pledge financial products for opening bank acceptance
Notes receivable	30,236,900.00	Pledged for opening bank acceptance
Other monetary funds	200,000.00	Notes deposit
Total	918,436,900.00	

6.49 Government grants

6.49.1 Details of Government grants

Items	Amount	Account	Amount included in current profits and losses
Tax refund	18,279,633.65	Other income and gain	18,279,633.65
Special funds for industrial development	2,100,000.00	Other income and gain	2,100,000.00
Projects funds for manufacturing strong provinces in 2018	1,800,000.00	Other income and gain	1,800,000.00
Standardized reward	1,109,249.00	Other income and gain	1,109,249.00
National intellectual property demonstration enterprise award	500,000.00	Other income and gain	500,000.00
Special expenses for leading talents in special programs	500,000.00	Other income and gain	500,000.00
Municipal policy awards and subsidy in 2017	500,000.00	Other income and gain	500,000.00
Project funds for supporting the rapid development of market participants	500,000.00	Other income and gain	500,000.00
Unemployment insurance funds and stabilization allowance	409,000.00	Other income and gain	409,000.00
Han Zhiyin talents program subsidy	400,000.00	Other income and gain	400,000.00
Subsidy from xianning science and technology bureau	300,000.00	Other income and gain	300,000.00
New registered trademark subsidy	246,000.00	Other income and gain	246,000.00
Subsidy for special staff workstations of the Bureau of Science and Technology	200,000.00	Other income and gain	200,000.00
Subsidy for academicians expert station of xianning	50,000.00	Other income	50,000.00

Items	Amount	Account	Amount included in current profits and losses
high-tech district management committee		and gain	
Subsidy for technical projects of industrial enterprises in xianning high-tech district	200,000.00	Other income and gain	200,000.00
Patent product award	200,000.00	Other income and gain	200,000.00
Bonus of Bozhou science and technology bureau	140,010.00	Other income and gain	140,010.00
Taxpayer bonus in xanning high-tech district	100,000.00	Non-operating income	100,000.00
Annual network sales scale award	100,000.00	Other income and gain	100,000.00
Logistics outsourcing incentives	100,000.00	Other income and gain	100,000.00
Yaohai district shengli street awards	100,000.00	Non-operating income	100,000.00
Equipment subsidy	592,600.00	Deferred income	162,166.54
Subsidy for suizhou new factory infrastructure	35,338,000.00	Deferred income	0.00
Funds for research projects of koji-making technology	322,800.00	Deferred income	0.00
Subsidy for key technical cooperation project on the authenticity of important food isotopes	120,000.00	Deferred income	0.00
Comprehensive subsidy fund for air pollution prevention and control	1,841,000.00	Deferred income	2,098,202.98
Funds for strategic emerging industry agglomeration development base	1,020,800.00	Deferred income	0.00
Specific funds for side management of power demand	720,000.00	Deferred income	60,000.00
Other incentives	1,042,579.13	Other income and gain	1,042,579.13

Items	Amount	Account	Amount included in current profits and losses
Standardized reward	140,000.00	Non-operating income	140,000.00
Total	68,971,671.78	—	31,336,841.30

6.49.2 Details of Government grants return

No government grants return.

Note 7 Changes of the scope of consolidated financial statements

Consolidation scope change because of other reasons

The subsidiary Bozhou Gujing Transportation Co., Ltd. and Hubei Hechuyuan Commercial Co., Ltd. were liquidated during 2018.

Note 8 The equity in other entities

8.1 The equity in subsidiaries

8.1.1 The construction of the group

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Bozhou Gujing Sales Co., Ltd. (hereafter Gujing Sales)	Anhui Bozhou	Anhui Bozhou	Commercial trade	100.00		Investment establishment
Bozhou Gujing Transportation Co., Ltd. (hereafter Gujing Transportation) (Note)	Anhui Bozhou	Anhui Bozhou	Motor transport	99.00	1.00	Investment establishment
Anhui Longrui Glass Co., Ltd (hereafter Longrui Glass)	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00		Investment establishment
Bozhou Gujing Waste Reclamation Co., Ltd. (hereafter Gujing Waste)	Anhui Bozhou	Anhui Bozhou	Waste recycle	100.00		Investment establishment
Anhui Jinyunlai Culture & Media Co.,	Anhui Hefei	Anhui Hefei	Advertisement	100.00		Investment

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Ltd. (hereafter Jinyunlai)			marketing			establishment
Anhui Ruisiweier Technology Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Technical research	100.00		Investment establishment
Anhui colorful taste wine co., Ltd.	Anhui Bozhou	Anhui Bozhou	Manufacture	100.00		Investment establishment
Shanghai Gujing Jinhao hotel management company	Shanghai	Shanghai	Hotel management	100.00		Business combination under common control
Bozhou Gujing hotel Co., Ltd	Anhui Bozhou	Anhui Bozhou	Hotel operating	100.00		Business combination under common control
Anhui Yuanqing environmental protection Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Sewage treatment	100.00		Investment establishment
Anhui Gujing Yunshang Electronic Commerce Co., Ltd	Anhui Hefei	Anhui Hefei	Electronic commerce	100.00		Investment establishment
Anhui Zhenrui Construction Engineering Co., Ltd	Anhui Bozhou	Anhui Bozhou	Construction	100.00		Investment establishment
Anhui Runanxinke Testing Tech. Co., Ltd.	Anhui Bozhou	Anhui Bozhou	Food testing	100.00		Investment establishment
Yellow Crane Tower Wine Co., Ltd	Hubei Wuhan	Hubei Wuhan	Manufacture	51.00		Business combination not under common control
Yellow Crane Tower Wine (Xianning) Co., Ltd	Hubei Xianning	Hubei Xianning	Manufacture		51.00	Business combination not under common control
Yellow Crane Tower Wine (Suizhou)	Hubei Suizhou	Hubei Suizhou	Manufacture		51.00	Business

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Subsidiaries	Place of operation	Place of registration	Nature of business	Holding proportion %		Acquired method
				Directly	Indirectly	
Co., Ltd						combination not under common control
Wuhan Tianlong Jindi Technology Development Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Business combination not under common control
Xianning Junhe Sales Co., Ltd	Hubei Xianning	Hubei Xianning	Commercial trade		51.00	Business combination not under common control
Hubei Junhe Advertising Co., Ltd	Hubei Wuhan	Hubei Wuhan	Advertisement marketing		51.00	Business combination not under common control
Wuhan Yashibo Technology Co., Ltd.	Hubei Wuhan	Hubei Wuhan	Technology development		51.00	Investment establishment
Wuhan Junya Sales Co., Ltd	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Investment establishment
Suizhou Junhe Commercial Co., Ltd.	Hubei Suizhou	Hubei Suizhou	Commercial trade		51.00	Investment establishment
Hubei Hechuyuan Commercial Co., Ltd. (Note)	Hubei Wuhan	Hubei Wuhan	Commercial trade		51.00	Investment establishment

Note: Bozhou Gujing Transportation Co., Ltd. was liquidated in October, 2018. Hubei Hechuyuan Commercial Co., Ltd. was liquidated in November, 2018.

8.1.2 Significant partly-owned subsidiary

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Subsidiaries	Minority shareholders' holding portion (%)	Income or loss owned by minority shareholders	Dividends paid to minority shareholders	Minority shareholders' equity at 12/31/2018
Yellow Crane Tower Wine Co., Ltd	49.00	45,682,017.83	0.00	427,766,092.82

8.1.2 Financial information of significant partly-owned subsidiary

Subsidiaries	Balance as at 12/31/2018					
	Current assets	Non-current assets	Assets subtotals	Current liabilities	Non-current liabilities	Liabilities subtotals
Yellow Crane Tower Wine Co., Ltd	587,458,925.80	731,191,284.72	1,318,650,210.52	311,342,786.19	134,315,398.16	445,658,184.35

(Continued 1)

Subsidiaries	Balance as at 12/31/2017					
	Current assets	Non-current assets	Assets subtotals	Current liabilities	Non-current liabilities	Liabilities subtotals
Yellow Crane Tower Wine Co., Ltd	441,615,299.44	678,572,840.91	1,120,188,140.35	239,818,614.70	100,576,052.97	340,394,667.67

(Continued 2)

Subsidiaries	Current year				Last year			
	Revenue from operation	Net profit	Comprehensive income subtotal	Cash flows from operating activities	Revenue from operation	Net profit	Comprehensive income subtotal	Cash flows from operating activities
Yellow Crane Tower Wine Co., Ltd	866,368,765.24	93,215,106.83	93,215,106.83	172,572,976.32	689,103,629.96	74,467,889.41	74,467,889.41	107,890,980.94

Note 9 The risk associated with financial instruments

The main financial instruments of the Company include equity investments, financial products, trust investments, accounts receivable, accounts payable etc., please refer to Note 6 for detail of related items. The risk associated with financial instruments, and risk management policies which the Company uses to reduce these risks are described below. The management of the Company manages and supervises the risks to ensure that the risks can be controlled within a limited range.

9.1 The targets and policies of risk management

The target of risk management is to obtain the proper balance between the risk and benefit, to reduce the negative impact that is caused by the risk of the Company to the lowest level, and to maximize the benefits of shareholders and other equity investors. Based on the targets of risk management, the basic strategy of the Company's risk management is to identify and analyze the risks which are faced by the Company, establish suitable risk tolerance baseline and proceed the risk management, and supervise a variety of risks timely and reliably, and control the risks within a limited range.

9.1.1 Market Risk

9.1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations generally. The core business of the Company is on the mainland of China and trading with RMB. Foreign exchange risk is minimal.

9.1.1.2 Interest rate risk - the risk of changes in cash flow

The operating fund of the Company is sufficient, and there is no loan in recent years so that the risk of interest is very small for the Company.

9.1.1.3 Other price risk

The financial asset available for sale and financial asset for the trading of the Company is measured by fair value. So, the Company bears the risk of the change of security market. To decrease the risk, the management decided that the Company held a combination of several equities and securities.

9.1.2. Credit Risk

The maximum risk exposure that could cause the Company's financial losses is associated with the default by the other party of a transaction and the financial guarantee provided by the Company as at December 31, 2018. The detail is listed below:

The carrying value of the financial assets that is recognized in the consolidated financial statement. For the financial instrument measured by fair value, the carrying value only represents the risk exposure, but the maximum risk exposure will change with the future fair value.

The Company only trade with an authorized company with high credit record and large scale. According to the

policies of the Company, the client needs to pay first, then receive the goods. Only a few companies are provided with credit. A credit review is performed for customers trading with credit.

The current asset of the Company is deposited in the bank with the high credit record. So, the credit risk of the current asset is low

9.1.3 Liquidity risk

When managing liquidity risk, the Company maintains and monitors adequate cash and cash equivalents decided by the management to meet the needs of operation of the Company, and to reduce the impact of fluctuations in cash flows.

Note 10 Disclosure of the fair value

10.1 The fair value at the end of the current year of assets and liabilities which are measured by fair value

Items	The fair value at the end of the current year			
	The first level	The second level	The third level	Total
	measured by fair value	measured by fair value	measured by fair value	
1. Continuous measurement by fair value				
1.1 The financial assets are measured by fair value, and the changes are recognized into current profit or loss	622,892.96			622,892.96
1.1.1 Trading financial assets	622,892.96			622,892.96
Equity instruments investment	622,892.96			622,892.96
1.2 Financial asset available for sale	206,393,107.46			206,393,107.46
Equity instruments investment	206,393,107.46			206,393,107.46
The total amount of liabilities continuously measured by fair value	207,016,000.42			207,016,000.42

10.2 Determined on the basis of continuous first level for fair value measurement of the market of project

Continuous fair value measurement items are stocks listed and traded publicly on the Shanghai Stock

Exchange or Shenzhen Stock Exchange. The market price is confirmed on the basis of the closing price of stocks on the balance sheet date. If the stocks held are in the restricted period, they shall be determined according to the relevant valuation methods described in Accounting [2007] No. 21 of the Securities Regulatory Commission.

Note 11 Related parties and related party transaction

11.1 Details of the parent

Parents	Relationship	Nature of business	Registered capital	Shareholding in the Company %	Voting right in the Company %
Gujing Group	Anhui	Drink, building materials, manufacture plastic products	1,000,000,000.00	53.89	53.89

Note: The ultimate controller is the government of Bozhou, Anhui province.

11.2 Subsidiaries

See Note 8.1 The equity in subsidiaries for details.

11.3 Details of other related parties

Other related parties	Relationship
Anhui Ruifuxiang Food Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing catering management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Haochidian Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Shanghai Ruiyao Hotel Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Shanghai Beihai Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing Business Travel (Group) Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Real Estate Group Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Orient Ruijing Enterprise Investment Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Hengxin Pawn Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Ruineng Thermal Power Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Hefei Gujing Holiday Hotel Co., Ltd.	An affiliate of the actual controller and controlling shareholder

Other related parties	Relationship
Bozhou Furuixiang high protein feed Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruijing restaurant management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Ruixin pawn Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Zhongxin finance lease Co. Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Huixin finance invest group Co., Ltd	An affiliate of the actual controller and controlling shareholder
Hefei Longxin Financial Management Consulting Co., Ltd	An affiliate of the actual controller and controlling shareholder
Bozhou Anxin Micro Finance Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Dazhongyuan Wine valley culture tourism development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	An affiliate of the actual controller and controlling shareholder
Anhui gujing hotel management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Youxin Financing guarantee Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Aoxin Real estate development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lixin Electronic commerce Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Xinxin Property management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Huishenglou Catering Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Bozhou Gujing Junlai Hotel Management Co., Ltd	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Property management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Real estate development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing international tourism Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Gujing Health Industry Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Lejiu Home Tourism Management Co., Ltd.	An affiliate of the actual controller and controlling shareholder
Anhui Shenglong Commercial Co., Ltd.	An affiliate of the actual controller and controlling shareholder

11.4 Transactions with related parties

11.4.1 Transactions through purchase or sales of goods and services

11.4.1.1 Purchase of goods and services

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Related party	Contents of related transactions	Current year	Prior year
Anhui Gujing international tourism Co., Ltd.	Labor service	0.00	520,850.00
Anhui Gujing international tourism Co., Ltd.	Labor and accommodation service	1,208,159.67	0.00
Anhui Gujing Group Co., Ltd.	Labor service	62,068.97	0.00
Anhui Gujing Health Industry Co., Ltd.	Purchase of materials and labor service	195,685.75	0.00
Anhui gujing hotel management Co., Ltd.	Catering and accommodation service	151,135.93	185,363.53
Anhui Haochidian Catering Co., Ltd.	Catering and accommodation service	558,175.10	40,058.55
Anhui Huixin finance invest group Co. Ltd.	Labor service	212,248.30	23,084.65
Anhui Ruifuxiang Food Co., Ltd.	Purchase of materials	0.00	493,092.81
Anhui Ruijing catering management Co., Ltd.	Catering service	51,631.00	99,367.00
Anhui Ruijing Business Travel (Group) Co., Ltd.	Purchase of materials and labor service	43,413.71	0.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Labor service	1,173,301.27	1,093,701.48
Bozhou Hotel Co., Ltd.	Catering and accommodation service	5,007,403.41	2,018,619.83
Bozhou Gujing Huishenglou Catering Co., Ltd.	Catering and accommodation service	3,233,671.00	3,769,464.00
Bozhou Gujing Junlai Hotel Management Co., Ltd	Catering and accommodation service	703,294.46	286,972.87
Bozhou Gujing Real Estate Development Co., Ltd.	Purchase of commercial housing	0.00	574,026.00
Bozhou Gujing Hotel Co., Ltd.	Purchase of commercial housing	0.00	11,900,000.00
Hefei Gujing Holiday Hotel Co., Ltd.	Purchase of materials	0.00	304,673.12
Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	403,358.10	131,153.05

Related party	Contents of related transactions	Current year	Prior year
Total		13,003,546.67	21,440,426.89

11.4.1.2 Sales of goods and services

Related party	Contents of related transactions	Current year	Prior year
Anhui Aoxin Real estate development Co., Ltd.	Sales of liquor	13,424.13	12,492.85
Anhui Gujing Real Estate Group Co., Ltd.	Labor service	397,665.85	456,621.63
Anhui Gujing Real Estate Group Co., Ltd.	Sales of liquor	347,880.88	16,247.51
Anhui Gujing international tourism Co., Ltd.	Catering and accommodation service	51,744.46	6,860.00
Anhui Gujing Group Co., Ltd.	Catering and accommodation service	384,753.34	290,036.11
Anhui Gujing Group Co., Ltd.	Labor service	16,587.36	24,794.28
Anhui Gujing Group Co., Ltd.	Sales of small materials	283,450.69	192,012.84
Anhui Gujing Health Industry Co., Ltd.	Catering and accommodation service	9,966.00	0.00
Anhui Gujing Health Industry Co., Ltd.	Labor service	226,290.57	0.00
Anhui Gujing Health Industry Co., Ltd.	Sales of liquor	6,396,104.00	0.00
Anhui Gujing Health Industry Co., Ltd.	Sales of small materials	39,450.74	0.00
Anhui gujing hotel management Co., Ltd.	Sales of liquor	100,393.89	52,606.86
Anhui Haochidian Catering Co., Ltd.	Labor service	33,962.26	0.00
Anhui Haochidian Catering Co., Ltd.	Sales of liquor	36,433.69	188,290.46
Anhui Hengxin Pawn Co., Ltd.	Sales of liquor	8,380.14	12,347.57
Anhui Huixin finance invest group Co. Ltd.	Advertising service	0.00	4,009.43
Anhui Huixin finance invest group Co. Ltd.	Sales of liquor	1,552,580.62	503,363.31
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	Sales of liquor	143,796.76	1,056.40
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of hydropower	71,030.79	0.00

Related party	Contents of related transactions	Current year	Prior year
Anhui Lejiu Home Tourism Management Co., Ltd.	Catering and accommodation service	5,595.00	0.00
Anhui Lejiu Home Tourism Management Co., Ltd.	Labor service	7,547.17	0.00
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of small materials	64,006.61	0.00
Anhui Lixin Electronic commerce Co., Ltd.	Sales of liquor	117,628.42	99,880.21
Anhui Ruifuxiang Food Co., Ltd.	Labor service	0.00	94,727.84
Anhui Ruifuxiang Food Co., Ltd.	Sales of liquor	588,449.78	676,130.30
Anhui Ruijing Business Travel (Group) Co., Ltd.	Catering and accommodation service	93,389.27	8,909.05
Anhui Ruijing Business Travel (Group) Co., Ltd.	Sales of liquor	8,239,198.27	5,919,363.84
Anhui Ruijing Business Travel (Group) Co., Ltd.	Sales of packaging materials	832.76	0.00
Anhui Ruixin pawn Co. Ltd.	Sales of liquor	14,452.08	11,030.50
Anhui Shenglong Commercial Co., Ltd.	Catering and accommodation service	16,270.00	6,076.00
Anhui Shenglong Commercial Co., Ltd.	Sales of liquor	470,660.35	48,820.52
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Catering and accommodation service	400.00	0.00
Anhui Xinyuan Municipal Garden Engineering Co., Ltd	Sales of small materials	30,008.04	16,040.56
Anhui Xinxin Property management Co., Ltd.	Sales of liquor	39,795.45	38,974.52
Anhui Xinxin Property management Co., Ltd.	Sales of liquor	7,672.40	6,440.03
Anhui Zhongxin finance lease Co. Ltd.	Sales of liquor	13,259.55	11,411.71
Bozhou Anxin Micro Finance Co., Ltd.	Sales of liquor	13,270.29	12,166.39
Bozhou Hotel Co., Ltd.	Labor service	113,206.84	0.00

Related party	Contents of related transactions	Current year	Prior year
Bozhou Hotel Co., Ltd.	Sales of liquor	61,271.22	68,888.89
Bozhou Hotel Co., Ltd.	Sales of liquor	16,408.09	47,532.12
Bozhou Gujing Huishenglou Catering Co., Ltd.	Labor service	0.00	97,484.94
Bozhou Gujing Huishenglou Catering Co., Ltd.	Sales of liquor	43,547.75	41,076.92
Bozhou Gujing Junlai Hotel Management Co., Ltd	Labor service	0.00	146,227.41
Bozhou Gujing Junlai Hotel Management Co., Ltd	Sales of liquor	35,546.41	11,230.76
Bozhou Gujing Property management Co., Ltd.	Sales of liquor	60,892.13	63,959.72
Bozhou Gujing Real Estate Group Co., Ltd.	Catering and accommodation service	1,360.00	600.00
Bozhou Gujing Real Estate Group Co., Ltd.	Sales of liquor	19,694.42	40,046.85
Bozhou Ruifuxiang High Protein Feed Co., Ltd.	Sales of liquor	32,141.00	35,036.69
Bozhou Ruineng Thermal Power Co., Ltd.	Labor service	269,024.61	350,450.45
Bozhou Ruineng Thermal Power Co., Ltd.	Sales of liquor	258,281.65	247,953.41
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Utility fees	64,024.27	147,838.04
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Catering and accommodation service	22,241.00	29,316.00
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Labor service	167,030.67	19,739.23
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of liquor	1,959,896.18	1,098,508.84
Dazhongyuan Wine valley culture tourism development Co., Ltd.	Sales of small materials	29,526.70	13,508.12

Related party	Contents of related transactions	Current year	Prior year
Orient Ruijing Enterprise Investment Development Co., Ltd.	Labor service	0.00	201,390.13
Hefei Gujing Holiday Hotel Co., Ltd.	Catering and accommodation service	57,216.80	0.00
Hefei Gujing Holiday Hotel Co., Ltd.	Sales of liquor	15,517.24	14,529.91
Hefei Longxin Financial Management Consulting Co., Ltd	Sales of liquor	2,684.82	12,463.21
Shanghai Beihai Hotel Co., Ltd	Sales of liquor	0.00	8,461.54
Shanghai Ruiyao Hotel Management Co., Ltd.	Sales of liquor	0.00	4,307.69
Total		23,065,843.41	11,411,261.59

11.4.2 Lease between related parties

11.4.2.1 The Company is as the Lessee

Lessor	Classification	Lease rental recognized in current year	Lease rental recognized in the prior year
Gujing Group	Buildings and constructions	2,190,476.20	2,190,476.20
Total		2,190,476.20	2,190,476.20

11.4.2.2 The Company is as the lessor

Lessee	Classification	Lease rental recognized in current year	Lease rental recognized in the prior year
Anhui gujing hotel management Co., Ltd.	Buildings and constructions	493,611.91	492,380.96

11.4.3 Remuneration for key management personnel

Items	Total amount of current year	Total amount of prior year
Remuneration for key management personnel	CNY 9.4734 million	CNY 6.7827 million

11.5 The balance of payables and receivables among related parties

11.5.1 Receivables owed by related parties

Related party	Balance as at 31/12/2018	Balance as at 31/12/2017
Accounts receivable:		

Related party	Balance as at 31/12/2018	Balance as at 31/12/2017
Anhui Ruifuxiang Food Co., Ltd.	0.00	5,257.31
Anhui Gujing Group Co., Ltd.	0.00	2,250.00
Dazhongyuan Wine valley culture tourism development Co., Ltd.	0.00	3,860.00
Total	0.00	11,367.31
Other receivables:		
Anhui Gujing Real Estate Group Co., Ltd.	25,342.50	25,342.50
Bozhou Ruineng Thermal Power Co., Ltd.	14,521.45	19,450.00
Total	39,863.95	44,792.50

11.5.2 Payables owed to related parties

Related party	Balance as at 31/12/2018	Balance as at 31/12/2017
Receivables in advance:		
Anhui Ruijing Business Travel (Group) Co., Ltd.	4,085,856.31	3,854,332.31
Dazhongyuan Wine valley culture tourism development Co., Ltd.	1,881,236.80	2,193,069.10
Anhui Gujing Health Industry Co., Ltd.	4,036,729.60	0.00
Bozhou Ruineng Thermal Power Co., Ltd.	43,200.00	0.00
Total	10,047,022.71	6,047,401.41
Other payables:		
Anhui Gujing Hotel Development Co., Ltd.	50,000.00	0.00
Anhui Ruifuxiang Food Co., Ltd.	0.00	6,726.00
Anhui Ruijing Business Travel (Group) Co., Ltd.	35,000.00	23,678.36
Total	85,000.00	30,404.36

Note 12 Commitments and contingencies

12.1 Significant commitments

12.1.1 Operating lease commitments

Irrevocable lease contracts underperformance and their financial effects as at the end of current year.

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
The minimum lease payments of irrevocable operating lease contracts:		

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
1st year after the balance sheet date	2,300,000.00	2,300,000.00
2nd year after the balance sheet date	2,300,000.00	2,300,000.00
3rd year after the balance sheet date	2,300,000.00	2,300,000.00
Subsequent years	19,358,333.33	21,658,333.33
Total	26,258,333.33	28,558,333.33

12.1.2 Performance commitment

According to the equity transfer agreement regarding the acquisition of Yellow Crane Tower Wine Co., Ltd. (hereafter, Yellow Crane Tower Wine) between Wuhan Tianlong Investment Group Co., Ltd., the natural person YAN, Hongye and the Company, the Company promised that the operating revenues of Yellow Crane Tower Wine would be no less than the following data (tax inclusive):

Unit: 10,000 yuan

Year	2017	2018	2019	2020	2021
Promised operating revenue (Tax inclusive)	80,500.00	100,625.00	130,812.50	170,056.25	204,067.50

Meanwhile, within five years after the delivery date (excluding the year in which the target stock is delivered), the net profit margin on sales of Yellow Crane Tower Wine (the actual net profit / operating revenues of Yellow Crane Tower Wine in current year) shall be no less than 11% for each year. If the audited net profit margin on sales of Yellow Crane Tower Wine is less than 11% per annum, the Company shall compensate for the difference in accordance with the agreement. If the net profit margin on sales of Yellow Crane Tower Wine is less than 11% for consecutive two years, the transferor will have the right to repurchase all of the shares of Yellow Crane Tower held by the Company, and the repurchase price is CNY 816 million.

The achievement of performance commitment in the separate financial statements of Yellow Crane Tower Wine for the year 2018 is as follows:

Unit: 10,000 yuan

Items	Actual number	Commitment number	Difference	Completion rate
Operating revenues (including tax)	100,696.87	100,625.00	71.87	100.07%
Net profit	9,930.24	9,514.84	415.40	104.37%
The net profit margin on sales	11.46%	11.00%	0.46%	104.19%

12.2 Contingencies

12.2.1 Due to the existence of violations of the Company's trademark exclusive rights in the market, the Company filed a lawsuit against the infringement of trademark exclusive rights. Since the claimed amounts are insignificant individually or in aggregate, it is not expected to have a significant impact on the Company.

12.2.2 Other than the above matters, the Company has no other contingencies.

Note 13 Post reporting date events

On April 26, 2019, the Company held the 9th meeting of eighth session board of directors which approved profit distribution plan for the year of 2018. The Company plans to use the total share of 503,600,000.00 of the Company at 31/12/2018 as a base, to distribute CNY 15.00 (before tax) for every 10 shares, and as a result to distribute CNY 755,400,000.00 to all shareholders. The profit distribution plan is pending the approval of the General Meeting of stockholders of the Company.

Note 14 Other signification events

Segment information

The Company not confirmed the operation division in accordance with the internal organizational structure, management requirements, and internal reporting system, so there was no need to disclose segment information report based on the operating segments.

Note 15 Notes to the main elements of the separate financial statement of the Company

15.1 Notes receivable and accounts receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Notes receivable	1,256,336,386.34	674,521,654.40
Accounts receivable	9,385,950.54	8,509,918.03
Total	1,265,722,336.88	683,031,572.43

15.1.1 Notes receivable

15.1.1.1 Disclosure by classification

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Bank acceptance	1,256,336,386.34	674,521,654.40
Total	1,256,336,386.34	674,521,654.40

15.1.1.2 Notes receivable that have been endorsed or discounted at the end of the year and have not expired on the balance sheet date

Items	Amount derecognized as at 31/12/2018	Amount not derecognized as at 31/12/2018
Bank acceptance	293,974,818.10	0.00
Total	293,974,818.10	0.00

15.1.2 Accounts receivable

15.1.2.1 Disclosure by classification

Items	Balance as at 31/12/2018				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk	9,527,072.41	100.00	141,121.87	1.48	9,385,950.54
Accounts receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	9,527,072.41	100.00	141,121.87	1.48	9,385,950.54

(Continued)

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Accounts receivable of individual significance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Accounts receivable portfolio subject to impairment by credit risk	9,168,249.97	100.00	658,331.94	7.18	8,509,918.03
Accounts receivable of individually insignificance subject to individually	0.00	0.00	0.00	0.00	0.00

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
assessment for impairment					
Total	9,168,249.97	100.00	658,331.94	7.18	8,509,918.03

15.1.2.1.1 Accounts receivable using the age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	0.00	0.00	0.00
Include: within 6 months	0.00	0.00	0.00
7-12 months	0.00	0.00	0.00
1 to 2 years	0.00	0.00	0.00
2 to 3 years	0.00	0.00	0.00
Over 3 years	141,121.87	141,121.87	100.00
Total	141,121.87	141,121.87	100.00

15.1.2.1.2 Accounts receivable using the other method for measurement of allowance for bad debt

Items	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Related parties	9,385,950.54	0.00	0.00
Total	9,385,950.54	0.00	0.00

15.1.2.2 Recognition, recovery and reversal of allowance for bad debt

Reversal of the allowance is CNY 70,560.93.

15.1.2.3 Accounts receivable written off in current year

Accounts receivable written off in current year is CNY 587,771.00.

15.1.2.4 Details of top five accounts receivable

The total amount of top five accounts receivables which are summarised by the balance as at the end of the current year is CNY8,265,388.32, accounting for 86.76% of the total accounts receivable balance as at the end of current year. The total amount of the corresponding allowance for bad debts is CNY 0.00.

15.2 Other receivables

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interests receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	110,800,665.19	130,357,778.75
Total	110,800,665.19	130,357,778.75

15.2.1 Other receivables

15.2.1.1 Disclosure by classification

Items	Balance as at 31/12/2018				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	40,850,949.35	26.80	40,850,949.35	100.00	0.00
Other receivable portfolio subject to impairment by credit risk	111,581,253.05	73.20	780,587.86	0.70	110,800,665.19
Other receivable of individually insignificance subject to individually assessment for impairment	0.00	0.00	0.00	0.00	0.00
Total	152,432,202.40	100.00	41,631,537.21	27.31	110,800,665.19

(Continued)

Items	Balance as at 31/12/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
Other receivable of individual significance subject to individually assessment for impairment	40,850,949.35	23.76	40,850,949.35	100.00	0.00
Other receivable portfolio subject to impairment by credit risk	131,103,824.99	76.24	746,046.24	0.57	130,357,778.75
Other receivable of individually	0.00	0.00	0.00	0.00	0.00

Items	Balance as at 31/21/2017				
	Carrying amount		Allowance for bad debt		Book value
	Amount	% of total	Amount	% of total	
insignificance subject to individually assessment for impairment					
Total	171,954,774.34	100.00	41,596,995.59	24.19	130,357,778.75

15.2.1.1 .1 Other receivable of individual significance subject to individual assessment for impairment

Other receivables	Balance as at 31/12/2018			
	Other receivable	Allowance	% of total	Reasons
Hengxin securities	29,010,449.35	29,010,449.35	100.00	Company went through bankrupt
Jiaoqiao securities	11,840,500.00	11,840,500.00	100.00	Company went through bankrupt
Total	40,850,949.35	40,850,949.35	—	—

15.2.1.1.2 Other receivables using the age analysis method for measurement of allowance for bad debt

Age	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	1,888,231.28	29,510.79	1.56
Include: within 6 months	1,622,519.22	16,225.19	1.00
7 to 12 months	265,712.06	13,285.60	5.00
1 to 2 years	614,189.72	61,418.98	10.00
2 to 3 years	0.00	0.00	0.00
Over 3 years	689,658.09	689,658.09	100.00
Total	3,192,079.09	780,587.86	24.45

15.2.1.3 Other receivables using the other method for measurement of allowance for bad debt

Items	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Related parties	108,389,173.96	0.00	0.00

Items	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	% of total
Total	108,389,173.96	0.00	0.00

15.2.1.2 Classification of other receivables

Nature	Balance as at 31/12/2018	Balance as at 31/12/2017
Related party balance in consolidation	108,389,173.96	128,390,563.19
Investment in securities	40,850,949.35	40,850,949.35
Deposit and Assurant	909,657.06	858,139.09
Rent, water and gas	639,732.73	1,023,996.61
Others	1,642,689.30	831,126.10
Total	152,432,202.40	171,954,774.34

15.2.1.3 Recognition, recovery and reversal of allowance for bad debt

In 2018, allowance for bad debts were reversed by CNY 34,541.62.

15.2.1.4 Other receivables written off in current year

There has no other receivables written off in current year.

15.2.1.5 Details of top five other receivables:

Debtor	Related party relationships	Nature	Balance as at 31/12/2018	Age	% of the total amount	Allowance Balance as at the year-end
The first	Related parties within the scope of consolidation	Related party balance	94,439,097.13	Within 3 years	61.95	0.00
The second	Third party	Invest in securities	29,010,449.35	Over 3 years	19.03	29,010,449.35
The third	Related parties within the scope of consolidation	Related party balance	13,950,076.83	Within 3 years	9.15	0.00
The forth	Third party	Invest in securities	11,840,500.00	Over 3 years	7.77	11,840,500.00
The fifth	Third party	Deposit	500,000.00	Within 6 months	0.33	5,000.00

Debtor	Related party relationships	Nature	Balance as at 31/12/2018	Age	% of the total amount	Allowance Balance as at the year-end
Total			149,740,123.31		98.23	40,855,949.35

15.3 Long-term equity investments

15.3.1 Disclosure by classification

Items	Balance as at 31/12/2018			Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debts	Net carrying amount	Carrying amount	Allowance for bad debts	Net carrying amount
Investment in subsidiaries	1,148,213,665.32	0.00	1,148,213,665.32	1,155,089,408.32	0.00	1,155,089,408.32
Total	1,148,213,665.32	0.00	1,148,213,665.32	1,155,089,408.32	0.00	1,155,089,408.32

15.3.2 Details of long-term equity investments

Name	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2017	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2017
Bozhou Gujing Sales Co., Ltd.	68,949,286.89	0.00	0.00	68,949,286.89	0.00	0.00
Anhui Longrui Glass Co., Ltd	85,267,453.06	0.00	0.00	85,267,453.06	0.00	0.00
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	49,906,854.63	0.00	0.00	49,906,854.63	0.00	0.00
Bozhou Gujing Hotel Co., Ltd.	648,646.80	0.00	0.00	648,646.80	0.00	0.00
Bozhou Gujing Automobile Transportation Company	6,875,743.00	0.00	6,875,743.00	0.00	0.00	0.00

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Name	Balance as at 31/12/2017	Increased in current year	Decreased in current year	Balance as at 31/12/2017	Impairment allowance	Carrying amount of impairment allowance as at 31/12/2017
Anhui Ruisiweier Technology Co., Ltd	40,000,000.00	0.00	0.00	40,000,000.00	0.00	0.00
Anhui Baiweilu Liquor Co., Ltd.	30,000,000.00	0.00	0.00	30,000,000.00	0.00	0.00
Anhui Yuanqing Environmental Protection Co., Ltd.	16,000,000.00	0.00	0.00	16,000,000.00	0.00	0.00
Anhui Gujing Yunshang Electronic Commerce Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00	0.00	0.00
Anhui Zhenrui Construction Engineering Co., Ltd	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
Yellow Crane Tower Wine Co., Ltd	816,000,000.00	0.00	0.00	816,000,000.00	0.00	0.00
Anhui Jinyunnan Cultural Media Co., Ltd.	15,000,000.00	0.00	0.00	15,000,000.00	0.00	0.00
Bozhou Gujing Waste Recycling Co., Ltd.	1,441,423.94	0.00	0.00	1,441,423.94	0.00	0.00
Anhui Runanxinke Testing Technology Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
Total	1,155,089,408.32	0.00	6,875,743.00	1,148,213,665.32	0.00	0.00

15.4 Operating revenues and costs

Items	Current year		Prior year	
	Revenues	Costs	Revenues	Costs

Items	Current year		Prior year	
	Revenues	Costs	Revenues	Costs
Revenue from principal operating activities	4,170,643,216.51	1,706,721,317.44	3,719,581,487.77	1,433,324,800.10
Revenue from other operating activities	84,659,046.87	65,731,271.22	69,966,355.07	47,706,150.59
Total operating revenues	4,255,302,263.38	1,772,452,588.66	3,789,547,842.84	1,481,030,950.69

15.5 Investment income

Items	Current year	Prior year
Investment income from long term equity investment using cost method	838,858,228.79	437,724,053.00
Investment income from disposal of financial assets measured by fair value with changes in fair value recognized in profit or loss	1,238,951.28	3,782,651.28
Investment income from held-to-maturity investments during the holding period	75,591,043.12	75,286,531.06
Investment income from available for sale financial asset during the holding period	20,344,605.22	9,997,734.34
Investment income from disposal of available for sale financial assets	17,430,694.36	52,056,765.62
Total	953,463,522.77	578,847,735.30

Note 16 Supplementary information

16.1 Extraordinary gains or losses for the current year

Supplemental information	Total amount	Explanation
Gains or losses arising from the disposal of non-current assets	-10,060,019.55	
Tax repayments or waiving of taxes not officially authorized or not with proper authorization	0.00	
Government grants accounted for through profit or loss for the current reporting period (excl. grants directly associated with the Company's operations and subject to national quotas)	36,041,674.45	
Cost of monetary funds charged on non-financial institutions accounted for through profit or loss for the current reporting period	0.00	
Gains from the investment costs paid less than the acquirer's interest in the fair value of the bargainer's identifiable net assets (During acquire subsidiary, joint venture and associates)	0.00	
Gains or losses arising from non-monetary assets exchange	0.00	
Gains or losses arising from entrusted assets and investments	0.00	

Anhui Gujing Distillery Co., Ltd.
Notes to the financial statements for the year ended 31 December 2018

Supplemental information	Total amount	Explanation
Impairment allowances arising from force majeure, such as natural disasters	0.00	
Gain or loss arising from debt restructuring	0.00	
Restructuring expenses, such as employee settlement and relocation costs and costs of integration	0.00	
Gains or losses arising from transactions in which the prices are deemed unfair (the difference between the price and the fair value)	0.00	
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the current reporting period to the combination dates.	0.00	
Gains or losses arising from contingent events not associated with the Company's operating activities	0.00	
Gains or losses arising from changes in the fair values of financial instruments held for trading (excl. effective hedging instruments associated with the Company's operating activities) or disposal of financial instruments held for trading and available-for-sale financial assets (excl. effective hedging instruments associated with the Company's operating activities)	18,653,228.80	
Recovery of impairment allowance for receivables subject to individual assessment for impairment	0.00	
Gains or losses arising from entrusted borrowings	0.00	
Gains or losses arising from changes in the fair values of investment property measured at fair value	0.00	
Impact of one-off adjustment required by tax laws, accounting standards and relevant regulations on the profit or loss for the current reporting period	0.00	
Revenue arising from the entrusted operation	0.00	
Other non-operating revenue and non-operating expenses not listed above	32,375,890.89	
Other income and gain satisfying the definition of extraordinary gains or losses	0.00	
Subtotal	77,010,774.59	
Less: Effect of corporate income tax	18,150,068.72	
Less: Net amount attributable to minority interests (after tax)	1,833,517.16	
Total	57,027,188.71	

Note: Extraordinary gains or losses event use “+” express revenue and income, “-” express loss and

expenditure.

The Company recognized non-recurring categories of activities in accordance with the Explanatory Announcement regarding Information Disclosure by Publicly Listed Company No. 1 - Non-recurring Profit and Loss (ZhengjianhuiGonggao [2008] No. 43).

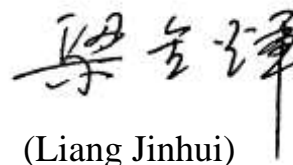
16.2 Yield Rate of Net Assets and Earnings per Share

Profits for the reporting period	The weighted average yield rate of net assets	Earnings Per Share (Yuan per share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders	24.03%	3.37	3.37
Net profits attributable to ordinary shareholders (excl. extraordinary gains or losses)	23.22%	3.25	3.25

Part XII Documents Available for Reference

- (I) The financial statements carrying the signatures and stamps of the Company's legal representative, Chief Accountant and head of the accounting department;
- (II) The original copy of the Independent Auditor's Report stamped by the CPA firm as well as signed and stamped by the engagement certified public accountants;
- (III) The originals of all the Company's announcements and documents disclosed on media designated by the China Securities Regulatory Commission during the Reporting Period; and
- (IV) The annual report disclosed in other securities markets.

Chairman of the Board:


(Liang Jinhui)

Anhui Gujing Distillery Company Limited

