



Luzhou Laojiao Co., Ltd.

2018 Annual Report

April 2019

Section I Important Statements, Contents and Definitions

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

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

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

Name of directors who did not attend the meeting in person	Position of directors who did not attend the meeting in person	Reason for not attending the meeting in person	Name of deputies
Liu Miao	Chairman of the Board	work	Lin Feng
Shen Caihong	Director	work	Jiang Yuhui

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

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

The profit distribution plan approved by the board of directors: based on 1,464,752,476 shares, a cash dividend of CNY 15.50 (tax inclusive) will be distributed for every 10 existing shares held, 0 shares of bonus shares (tax inclusive), and reserves would not be converted into share capital.

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Definitions

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

Section II Company Profile and Key Financial Results

1. Corporate information

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

2. Contact us

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

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

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

4. Company registration and alteration

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

5. Other relevant information

Accounting firm engaged by the Company

Name of the accounting firm	Sichuan Huaxin (Group) CPA Firm
Business address of the accounting firm	28/F., South Jinmaolidu, NO.18 Ximianqiao Street, Chengdu City, Sichuan Province.
Name of accountants for writing signature	Feng Yuan, He Shoufu

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

☒ Applicable ☐ N/A

Name of sponsor	Sponsor office address	Name of sponsor representative	Continuous supervision period
China International Capital Corporation Limited	27-28/F., China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	Liu Zhiyang, Yu Yan	14 September 2017 to 31 December 2018
Huaxi Securities Co.,Ltd.	No.198, Tianfu 2nd Street, High-tech Zone, Chengdu	Wan Jiayou, Wang Yuxiang	14 September 2017 to 31 December 2018

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

☐ Applicable ☒ N/A

6. Key accounting data and financial indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies and correction of accounting errors.

☐ Yes ☒ No

	2018	2017	YoY Change	2016
Operating revenues (CNY)	13,055,465,761.55	10,394,867,493.46	25.60%	8,626,696,462.91
Net profits attributable to shareholders of the Company (CNY)	3,485,643,008.98	2,557,944,598.97	36.27%	1,957,193,264.50
Net profits attributable to shareholders of the Company before non-recurring gains and losses (CNY)	3,483,173,302.46	2,539,601,364.06	37.15%	1,937,347,061.00
Net cash flows from operating activities (CNY)	4,297,916,018.24	3,703,734,061.89	16.04%	2,749,562,800.75
Basic earnings per share (CNY/share)	2.380	1.798	32.37%	1.396
Diluted earnings per share (CNY/share)	2.380	1.798	32.37%	1.396
Weighted average ROE	21.81%	20.30%	1.51%	18.12%
	At the end of 2018	At the end of 2017	YoY Change	At the end of 2016
Total assets (CNY)	22,604,929,596.42	19,755,761,074.20	14.42%	13,965,550,665.32
Net assets attributable to shareholders of the Company (CNY)	16,964,671,475.96	15,171,448,756.68	11.82%	11,009,813,755.50

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

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

☐ Applicable ☒ N/A

No such differences for the reporting period.

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

☐ Applicable ☒ N/A

No such differences for the reporting period.

8. Key financial results by quarter

Unit: CNY

	Q1	Q2	Q3	Q4
Operating revenues	3,369,965,694.45	3,050,367,825.98	2,842,562,257.01	3,792,569,984.11
Net profits attributable to shareholders of the Company	1,058,558,935.72	908,416,686.04	771,586,329.98	747,081,057.24
Net profits attributable to shareholders of the Company before non-recurring gains and losses	1,053,576,596.46	915,518,134.14	761,785,406.41	752,293,165.45
Net cash flows from operating activities	348,487,394.03	61,433,161.33	1,852,622,168.94	2,035,373,293.94

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

☐ Yes ☒ No

9. Non-recurring profits and losses

☒ Applicable ☐ N/A

Unit: CNY

Item	2018	2017	2016	Note
Profit or loss from disposal of non-current assets(including the write-off portion of the impairment provision)	-13,885,991.18	-4,256,543.78	-18,725,437.47	See "Section XI Note 7.35, 7.37" for details.
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the national uniform standards)	22,342,598.30	27,087,985.92	23,093,620.00	See "Section XI Note 7.33" for details.
Net profit and loss of subsidiaries arising from business combination under the common control from the beginning of the period to the date of merger		-269,195.68	28,973,078.45	
Other non-operating income and expenditure except above-mentioned items	-4,902,369.83	5,512,918.43	-14,466,203.67	See "Section IX Note 7.36, 7.37" for details.
Less: Corporate income tax	316,133.32	5,357,931.72	-3,386,951.90	
Minority interests (after tax)	768,397.45	4,373,998.26	2,415,805.71	
Total	2,469,706.52	18,343,234.91	19,846,203.50	--

Explain the reasons if the Company classifies an item as a non-recurring profit/loss according to the definition in the *Explanatory Announcement No. 1 on Information*

Disclosure for Companies Offering Their Securities to the Public-Non-Recurring Profits and Losses, or classifies any non-recurring profit/loss item mentioned in the said explanatory announcement as a recurring profit/loss item.

☐ Applicable ☒ N/A

No such cases for the reporting period.

Section III Business Profile

1. Business scope in the reporting period

Whether the Company needs to comply with the required disclosure of special industry.

No

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

Since 2018, the domestic liquor market has presented the characteristics of "intensifying competition, significant concentration and industry growth slowing down". Facing such industry development trends, the Company insisted on building the "Four Pillars" system including "Big brand", "Big innovation", "Big project" and "Big expansion" to promote the solid and rapid development. During the reporting period, the Company made new achievements in brand building, and firmly occupied the brand commanding heights of strong-flavor originator, strong-flavor national liquor and strong-flavor authentic brand. The scale of the Company has reached a new level. The sales scale, total assets and shareholders' equity have all exceeded the historical best level. New breakthroughs have been made in innovation and development. Progress has been made in the building of science and technology platforms in quality and product innovation, and in the construction of major projects. Corporate governance and team building have taken on a new look, and the fine style of "one team, one department, one staff" has been well maintained and carried forward. At the same time of accelerating development, the Company takes the initiative to shoulder the social responsibility of listed companies, and continues to make outstanding contributions to poverty alleviation and economic and social development.

2. Significant changes in the main assets

2.1. Significant changes in the main assets

Main assets	Reasons for any significant change
Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A

Main assets	Reasons for any significant change
Construction in progress	The closing balance increased by CNY 1,433,225,253.91 compared to opening balance, indicating an increase of 91.45 percent. It was mainly due to the construction of technical renovation project of brewing industry according to the plan and the project input increases year by year.

2.2. Main assets overseas

☐ Applicable ☒ N/A

3. Analysis of core competitiveness

Whether the Company needs to comply with the required disclosure of special industry.

No

The core competitiveness of the company has not changed during the reporting period.

Section IV Performance Discussion and Analysis

1. Overview

In 2018, the Company insisted on Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guidance and took determination and courage of "reform and opening up and starting again" to implement the development theme of "firmness, scale, innovation, efficiency, implementation". The Company forged ahead, strove to sprint, kept the solid and rapid development, and realized operating revenue of CNY 13.055 billion, up 25.60% year on year. The net profit attributable to the shareholders of the listed company reached CNY 3.486 billion, up 36.27% year on year, exceeding the annual development target and achieving a record high sales performance! Over the past year, the Company's main work and performance included:

A. Quality-oriented and accelerated technical innovation

The Company fully implements the development concept of "Ten years' brand relies on marketing. Hundred years' brand relies on quality. Thousand years' brand relies on culture". The Company carried out implementation of "Product Shelf-life Management above Tequ" and continuous improvement of the whole process of production quality supervision system. It takes the lead in publishing the domestic first white paper on product quality and safety, which leads the development direction of Chinese liquor quality. Meanwhile, the Company has made great progress in the technical renovation project of brewing. The construction of various supporting facilities such as automatic brewing group and semi-open warehouse have been promoted orderly. The core production area of solid grain brewing in China is about to be built.

B. Brand revival and value return

The Company firmly promotes the dual brand operation of "National Cellar 1573" and "Luzhou Laojiao". "National Cellar 1573" occupies the position of "Luzhou National Liquor" and "Luzhou Laojiao" launches the campaign of "brand revival". The Company carried out a series of publicity activities such as "sealing ceremony", "national tour and appraisal meeting of bottle-storage liquor", "international poetry-liquor culture conference" and "sorghum is red". The promotion activities in BRICS Business Forum, World Cup in Russia and Australian open were successful. To further promote the brand "slimming down", the barcode of products has been reduced by more than 90%. "Luzhou Laojiao" brand has been highly recognized by its partners and consumers.

C. Focus on single product and upgrade marketing

The Company firmly implements the competitive marketing strategy and big single product strategy, and "National Cellar 1573" achieved the solid growth of sell-through and profits. "Luzhou Laojiao Tequ" and "Jiaolingjiu" maintained the rapid development momentum, and "Touqu" and "Erqu" achieved recovery successfully. The Company resolutely pushes forward the "Double 124" project, effectively controls

the core network, comprehensively consolidates the traditional "grain-warehouse market", and implements the "east to south" project. The Company has established a distribution network in more than 50 countries and regions in the world, realized the rapid expansion of overseas markets, and achieved a record high sales performance.

D. Technological innovation driven by intelligence

The Company promotes the liquor production technology revolution. The intelligent projects in aspect of qu-making, brewing and packaging achieved positive progress. It fully relies on scientific and technological innovation platforms such as national solid state fermentation engineering technology research center and national industry design center. The Company continues to deepen the cooperation with Chinese Academy of Sciences, Jiangnan University and other colleges and universities and research institutes. The Company undertook dozens of national and provincial projects, and obtained hundreds of patents for invention and utility model patents, and won science and technology innovation award awarded by the Chinese Institute of Food Science and Technology. The Company was selected into the first batch of top ten tourism demonstration base of science and technology in Sichuan. The Company's industry influence was improved greatly.

E. Top-level design and efficiency improvement

The Company firmly maintains the leading role of the party committee in political construction, ideological construction, organizational construction, style construction and management decision-making, and organizes the management to carry out activities such as "Big study, Big research and Big implementation". It helps maintain the strong cohesion and combat effectiveness of the team. The Company gives full play to the strategic decision-making mechanism of the general office meeting, marketing joint meeting and production and operation dispatch meeting so as to ensure scientific, democratic and efficient decision-making. The Company actively promotes special audit, internal audit and supervision and inspection work, strengthens financial vertical management and comprehensive budget management, carries out process cleaning and optimization, and builds the "five flows" mechanism of order flow, capital flow, logistics, administrative flow and information flow.

F. Talent cultivation and scientific motivation

The Company has built a "dual channel" career promotion mechanism for both professional and administrative staff, and formed a human resource management model of fixed posts, classification, regular inventory, smooth promotion, orderly exit, and matching income with value contribution, thus releasing the Company's development vitality. The "Commander Plan" training project was launched to strengthen the reserve talent team, and the Company took the lead in exploring the implementation of enterprise annuity, bonus sharing and other reform measures in the industry to further strengthen the care for employees.

G. Taking responsibilities and giving back to the society

The Company carried out targeted poverty alleviation work in more than 10 poor villages such as Gullin county, Xuyong county and Hongyuan county, Aba prefecture, which effectively helps the local people get rid of poverty to become rich. The Company won widespread praise from all walks of life as a result of “Pillar Project of Donation”, establishment of “Luzhou Laojiao Scholarship”, “Luzhou Laojiao Golden Pointer Award” and “Luzhou Laojiao Golden Shield Award”, and sponsoring “Looking for the best doctor” and “Looking for most beautiful teacher” activities, and a charitable subscription of “Children Love Growth Plan”, which boosts the local health care and education career development. During the reporting period, the Company won the annual poverty alleviation award of the people's enterprise, and the title of “advanced unit of pillar project donation for education” and other honors.

2. Analysis of main business

2.1. Overview

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

2.2. Revenues and cost of sales

2.2.1. Breakdown of operating revenues

Unit: CNY

	2018		2017		YoY Change
	Amount	As a percentage of operating revenues	Amount	As a percentage of operating revenues	
Total	13,055,465,761.55	100%	10,394,867,493.46	100%	25.60%
By business segment					
Liquor	12,859,523,825.56	98.50%	10,114,600,585.81	97.30%	27.14%
Other	195,941,935.99	1.50%	280,266,907.65	2.70%	-30.09%
By product					
High-grade	6,377,822,866.84	48.85%	4,648,164,314.50	44.72%	37.21%
Mid-grade	3,674,967,125.89	28.15%	2,874,921,442.63	27.66%	27.83%
Low-grade	2,806,733,832.83	21.50%	2,591,514,828.68	24.93%	8.30%
Other	195,941,935.99	1.50%	280,266,907.65	2.70%	-30.09%
By geographical segment					
Domestic	12,950,439,919.30	99.20%	10,330,659,791.50	99.38%	25.36%
Overseas	105,025,842.25	0.80%	64,207,701.96	0.62%	63.57%

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

√ Applicable □ N/A

Whether the Company needs to comply with disclosure requirements of special industry

No

Unit: CNY

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue	YoY change of cost of sales	YoY change of gross profit margin
By business segment						
Liquor	12,859,523,825.56	2,878,994,470.11	77.61%	27.14%	0.67%	5.89%
By product						
High-end liquor	6,377,822,866.84	519,910,461.52	91.85%	37.21%	15.98%	0.62%
Mid-end liquor	3,674,967,125.89	745,485,548.38	79.71%	27.83%	4.29%	7.29%
Low-end liquor	2,806,733,832.83	1,613,598,460.21	42.51%	8.30%	-4.90%	21.96%
By geographical segment						
Domestic	12,950,439,919.30	2,893,588,473.22	77.66%	25.36%	0.40%	5.55%

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

√ Applicable ☐ N/A

Unit: CNY

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue	YoY change of cost of sales	YoY change of gross profit margin
By business segment						
By product						
By geographical segment						
Domestic	10,330,659,791.50	2,881,974,733.24	72.10%	29.30%	-4.56%	9.90%
Overseas	64,207,701.96	35,840,323.28	44.18%	-23.20%	-41.44%	17.39%

Reason for change

The Company expanded the international market. In order to clearly report the situation of international market, the Company adjusted the geographical segment.

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

√ Yes ☐ No

By business segment	Item	Unit	2018	2017	YoY Change
Liquor	Sales volume	ton	146,426.14	154,120.92	-4.99%
	Output volume	ton	156,750.50	160,760.38	-2.49%
	Stock	ton	50,169.95	39,845.59	25.91%

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

☐ Applicable √ N/A

2.2.4. Execution of significant sales contracts in the reporting period

☐ Applicable ☒ N/A

2.2.5. Breakdown of cost of sales

By business and product segment

Unit: CNY

By business segment	Item	2018		2017		YoY Change
		Amount	As a percentage of cost of sales	Amount	As a percentage of cost of sales	
Liquor	Raw materials	2,493,466,778.30	84.99%	2,465,720,490.49	84.51%	1.13%
Liquor	Labor costs	176,446,424.13	6.01%	184,843,134.82	6.33%	-4.54%
Liquor	Manufacturing overhead	263,794,683.61	8.99%	265,781,739.82	9.11%	-0.75%

2.2.6. Change in the scope of the consolidated financial statements for the reporting period

☒ Yes ☐ No

On 12 September 2017, the 21st meeting of the eighth board of directors reviewed and approved the “*Proposal about establishment of Luzhou Laojiao fruit wine industry Co., Ltd. invested by subsidiary*”. The joint investment establishment of Luzhou Laojiao fruit wine industry Co., Ltd. was about to be implemented by Sales Company, a wholly owned subsidiary of the Company, and Sichuan Meihe wine Co., Ltd. and Luzhou Juhe wine development Co., Ltd.. In January 2018, the fruit wine industry was registered and established with a registered capital of CNY 50 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed CNY 20.5 million of investment and held 41% of the shares. Although the shareholding ratio of the Company is less than 51%, among the five members of the board of directors, the Company has sent three members, and the chairman (legal representative) is the director sent by the Company. The Company has the actual control over the company, so it is included in the scope of consolidation.

On 12 September 2017, the 21st meeting of the eighth board of directors of the Company reviewed and approved the “*Proposal on the establishment of Mingjiang Co., Ltd. by subsidiary investment*”, and Sales Company, a wholly-owned subsidiary of the Company, planned to establish Mingjiang company in the United States with Luzhou Jiutai Liquor Sales Co., Ltd.. In January 2018, Mingjiang company was registered and established with a registered capital of USD 6 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed USD 3.24 million and held 54% of the shares. In addition, among the five members of the board of directors, the Company has sent three people to have actual control over the company, so it is included in the scope of consolidation.

Guibin company is a controlling subsidiary of Boda Marketing. The Company has decided to cancel Guibin company due to the increasingly prominent limitations of the special

circulation channel model of single product. Guibin company has obtained the notice of approval of cancellation registration on 12 March 2018.

2.2.7. Major changes in the business, products or services in the reporting period

☐ Applicable ☒ N/A

2.2.8. Main customers and suppliers

Sales to major customers of the Company

Total sales from top five customers (CNY)	8,721,259,517.26
Total sales from top five customers as a percentage of the total sales	66.80%
Total sales from related parties among top five customers as a percentage of the total sales	0.00%

Information on top five customers

No.	Customer	Sales amount(CNY)	As a percentage of the total sales for the year
1	Customer A	5,475,737,368.50	41.94%
2	Customer B	1,814,384,710.30	13.90%
3	Customer C	915,402,066.09	7.01%
4	Customer D	418,166,236.17	3.20%
5	Customer E	97,569,136.20	0.75%
Total	--	8,721,259,517.26	66.80%

Other information on major customers

☐ Applicable ☒ N/A

Major suppliers of the Company

Total sales from top five suppliers (CNY)	1,295,485,397.83
Total sales from top five suppliers as a percentage of the total sales	35.55%
Total sales from related parties among top five suppliers as a percentage of the total purchase	0.00%

Information on top five suppliers

No.	Supplier	Purchases(CNY)	As a percentage of the total purchase for the year
1	Supplier A	434,092,654.87	11.91%
2	Supplier B	316,331,999.00	8.68%
3	Supplier C	223,761,979.53	6.14%
4	Supplier D	174,468,718.17	4.79%
5	Supplier E	146,830,046.26	4.03%
Total	--	1,295,485,397.83	35.55%

Other information on major suppliers

☐ Applicable ☒ N/A

2.3. Expenses

Unit: CNY

	2018	2017	YoY Change	Reason for any significant change
Selling and distribution expenses	3,392,721,432.33	2,411,884,522.31	40.67%	Mainly due to increase advertising and marketing promotion to improve brand influence.
General and administrative expenses	722,448,972.80	518,463,705.99	39.34%	Mainly due to scale expansion and increase in the number of employees, leading to increased accrued salary and bonus.
Finance expenses	-215,066,482.79	-106,898,022.70		Mainly due to increased savings in the current period, leading to increased deposit interest income.
R&D expenses	62,172,210.70	50,990,507.33	21.93%	

2.4. R&D expenses

☒ Applicable ☐ N/A

In 2018, the Company's research and development direction: research on raw grain breeding and standardized cultivation, development of new health liquor products, research and application of liquor food safety prevention and control technology, research on fermentation mechanism and application of brewing microorganisms, and research on production technology of different styles of base liquor, etc.. The Company has completed the application of 10 government science and technology projects, the appraisal and acceptance of 9 government science and technology projects, and won 6 scientific research achievements awards, including 1 second prize for scientific and technological progress of Sichuan province in 2018, 3 technical progress awards of China liquor industry association, and 2 technical progress awards of China food science and technology association. After the promotion and application of relevant technical achievements in the Company, it has played a role in enriching the Company's product categories, which ensures product quality, improves the rate of alcohol and high-quality alcohol, saving labor force and lays a technical foundation for the benign and scientific development of the Company.

Information about R&D input

	2018	2017	YoY Change
Number of R&D personnel	452	449	0.67%
R&D personnel as a percentage in total employees	15.69%	18.32%	-2.63%

	2018	2017	YoY Change
R&D input(CNY)	85,334,100.70	84,810,942.37	0.62%
R&D personnel as a percentage in operating revenues	0.65%	0.82%	-0.17%
Capitalized R&D input(CNY)	0.00	0.00	0.00%
Capitalized R&D input percentage in total R&D input	0.00%	0.00%	0.00%

Note: R&D expenses include that recorded in cost of production and salary of researchers.

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

2.5. Cash flows

Unit: CNY

Item	2018	2017	YoY Change
Subtotal of cash inflows from operating activities	15,316,815,981.72	12,675,841,810.22	20.83%
Subtotal of cash outflows from operating activities	11,018,899,963.48	8,972,107,748.33	22.81%
Net cash flows from operating activities	4,297,916,018.24	3,703,734,061.89	16.04%
Subtotal of cash inflows from investing activities	19,702,964.73	19,963,102.88	-1.30%
Subtotal of cash outflows from investing activities	1,485,118,936.65	1,426,727,363.84	4.09%
Net cash flows from investing activities	-1,465,415,971.92	-1,406,764,260.96	4.17%
Subtotal of cash inflows from financing activities	4,482,764.00	2,957,910,377.36	-99.85%
Subtotal of cash outflows from financing activities	1,921,149,867.51	1,631,555,816.61	17.75%
Net cash flows from financing activities	-1,916,667,103.51	1,326,354,560.75	-244.51%
Net increase in cash and cash equivalents	916,564,472.77	3,623,174,123.17	-74.70%

Explanation of why the data above varied significantly

☒ Applicable ☐ N/A

Net cash flows from financing activities and net increase in cash and cash equivalent decreased 244.51% and 74.70% separately year-on-year, mainly due to receipt of

non-public offering fund last year.

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

☐ Applicable ☒ N/A

3. Analysis of non-core business

☐ Applicable ☒ N/A

4.Assets and liabilities

4.1 Significant change of asset items

Unit: CNY

	At the end of 2018		At the end of 2017		Change in percentage	Explanation about any material change
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Cash and cash equivalents	9,367,386,627.68	41.44%	8,449,622,154.91	42.77%	-1.33%	
Accounts receivable	10,333,728.87	0.05%	8,008,857.20	0.04%	0.01%	
Inventories	3,230,415,749.95	14.29%	2,811,866,523.26	14.23%	0.06%	
Long-term equity investments	2,091,103,348.61	9.25%	1,824,893,972.85	9.24%	0.01%	
Fixed assets	1,029,666,915.47	4.56%	1,129,894,772.60	5.72%	-1.16%	
Construction in progress	3,000,489,249.86	13.27%	1,567,263,995.95	7.93%	5.34%	Mainly due to the construction of technical renovation project of brewing industry according to the plan and the project input increases year by year.

4.2 Assets and liabilities measured at fair value

☒ Applicable ☐ N/A

Unit: CNY

Item	Opening balance	Changes in fair value through profit or loss	Changes in cumulative fair value recorded into equity	Provision for impairment	Amount of purchase	Amount of sale	Closing balance
Financial asset							
3.Available-for-sale	237,513,702.02	-46,755,009.43	177,009,535.83	0.00	0.00	0.00	190,758,692.59

Item	Opening balance	Changes in fair value through profit or loss	Changes in cumulative fair value recorded into equity	Provision for impairment	Amount of purchase	Amount of sale	Closing balance
financial assets							
Total	237,513,702.02	-46,755,009.43	177,009,535.83	0.00	0.00	0.00	190,758,692.59
Financial liability	0.00						0.00

Whether measurement attribution of main assets changes significantly in this year

☐ Yes ☒ No

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

Item	Closing Balance	Reason
Other cash and cash equivalents	1,400,000.00	According to regulations of Tourism Bureau, the travel service deposit was deposited in a designated bank
Total	1,400,000.00	

5. Investment

5.1. Total investment

☒ Applicable ☐ N/A

Investment made in the reporting period (CNY)	Investment made in the prior year (CNY)	YoY change
1,527,400,090.76	1,503,709,847.70	1.58%

5.2. Significant equity investment made in the reporting period

☐ Applicable ☒ N/A

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

√ Applicable □ N/A

Unit:CNY

Item	Investment form	Whether it is a fixed asset investment	Industry of the investment project	Amount of input in the reporting period	Accumulated actual input amount by the end of the reporting period	Capital source	Project progress	Projected income	Accumulated actual income by the end of the reporting period	Reasons for not meeting the schedule and projected income	Date of disclosure (if any)	Disclosure index (if any)
Technical renovation project of brewing	Self-built	Yes	Liquor	1,203,223,850.04	2,362,483,702.39	Fund-raising +self-finance	40.00%	0.00	0.00	N/A	April 28 2016	Announcement of <i>About subsidiary technical renovation project of brewing</i> No: 2016-12 (http://www.cninfo.com.cn/)
Total	--	--	--	1,203,223,850.04	2,362,483,702.39	--	--	0.00	0.00	--	--	--

5.4. Financial assets investment

√ Applicable □ N/A

5.4.1. Securities investment

√ Applicable □ N/A

Unit: CNY

Category of securities	Stock code	Abbreviation of securities	Initial investment cost	Accounting measurement model	Beginning book balance	Changes in fair value recognized in profit or loss	Changes in the cumulative fair value recorded into equity	Amount of purchase	Amount of sale	Profit and loss during the reporting period	Closing book balance	Accounting item	Capital source
Domestic and foreign stock	601211	GTJA	12,719,156.76	Fair value measurement	218,109,984.47	-37,686,390.43	167,704,437.28	0.00	0.00	4,710,798.80	180,423,594.04	Available-for-sale financial asset	Owned fund
Domestic and foreign stock	01983.HK	LZBANK	51,120,000.00	Cost method measurement	51,120,000.00	N/A	N/A	0.00	0.00	4,339,200.00	51,120,000.00	Available-for-sale financial asset	Owned fund
Domestic and foreign stock	002246	SNC	1,030,000.00	Fair value measurement	19,403,717.55	-9,068,619.00	9,305,098.55	0.00	0.00	62,542.20	10,335,098.55	Available-for-sale financial asset	Owned fund
Total			64,869,156.76		288,633,702.02	-46,755,009.43	177,009,535.83	0.00	0.00	9,112,541.00	241,878,692.59	--	--

5.4.2. Derivative investment

□ Applicable √ N/A

No such cases in the reporting period

5.5. Use of fund-raising

√ Applicable □ N/A

5.5.1. General use of fund-raising

√ Applicable □ N/A

Unit: CNY 10,000

Year	Method	Total amount of fund-raising	Total amount of used fund-raising in the reporting period	Total amount of accumulated used fund-raising	Total amount of re-purposed fund-raising in the reporting period	Total amount of accumulated re-purposed fund-raising	Accumulated re-purposed fund-raising as a percentage in total fund-raising	Total amount of unused fund-raising	Purpose and direction of unused fund-raising	Amount of fund-raising idle for more than two years
2012, 2013	Stock option incentive	10,240.61	6,361.29	10,713.85	0	6,152.06	60.08%	0	N/A	0
2017	Non-public offering	295,273.5	78,712.87	138,027.47	0	0	0.00%	167,649.07	Deposited in special account of fund-raising and purchase of structured deposit products	0
Total	--	305,514.11	85,074.16	148,741.32	0	6,152.06	2.01%	167,649.07	--	0
Notes for general use of fund-raising										
1. The amount of fund-raising used for stock option incentive is more than the difference of total amount of fund-raising, mainly due to the input including interest income deducting commission charge.										
2. The total amount of unused fund-raising used for non-public offering includes funds interests.										

5.5.2. fund-raising for committed projects

√ Applicable □ N/A

Unit: CNY

Committed investment projects and direction of over-raised funds	Whether the project has been changed (including partial change)	Total amount of fund-raising for committed investment	Adjusted Investment total amount (1)	Investment amount in the reporting period	Accumulated input by the end of the reporting period (2)	Investment progress by the end of reporting period (3) = (2)/(1)	Date of the projects reach the working condition for their intended use	Realized benefits during the reporting period	Whether the expected benefits have been achieved	Whether the feasibility of the project has changed significantly
Committed investment projects										
China Liquor City Laojiu Town Phrase I	Yes	10,240.61	4,088.55	0	4,088.55	100.00%	22 June 2016	108.26	Yes	Yes
Cellar Construction Project	No	6,152.06	6,152.06	6,361.29	6,625.3	107.69%		0	N/A	No
Technical Renovation Project of Brewing Phrase I	No	295,273.5	295,273.5	78,712.87	138,027.47	46.75%	31 December 2020	0	N/A	No
Subtotal of committed investment projects	--	311,666.17	305,514.11	85,074.16	148,741.32	--	--	108.26	--	--
Direction of over-raised funds										
None										
Total	--	311,666.17	305,514.11	85,074.16	148,741.32	--	--	108.26	--	--
Situation and reason for not reaching plan progress or expected	1. China Liquor City Laojiu Town Phrase I: According to the resolution of the general meeting of shareholders in 2015, the Company changed the purpose of fund-raising for stock option incentive. See details in the <i>Announcement About Purpose Change of fund-raising</i> (No: 2016-11 http://www.cninfo.com.cn/) issued on 28 April 2016. 2. Cellar Construction Project: The project is used for brand publicity and improving liquor storage capacity. It cannot generate economic benefit directly and									

benefits (by specific items)	individually. The Company cannot account for the realized economic benefits individually and promise the economic benefits.
Significant changes of project feasibility	China Liquor City Laojiu Town Phrase I: The reason for feasibility changed significantly as described in the <i>Announcement About Purpose Change of fund-raising</i> (No:2016-11 http://www.cninfo.com.cn/) issued on 28 April 2016.
Amount, propose and progress of over-raised funds	N/A
Change of implementation site of investment projects	N/A
Adjustment of the implementation mode of raised funds investment projects	N/A
Situation of prior-period investment and replacement of the projects	Applicable On 30 November 2017, the 24th meeting of the eighth board of directors reviewed and approved the <i>Proposal About fund-raising Used for Replacement of Prior-period Investment</i> . The Company decided to use fund-raising used for non-public offering amounted CNY 581,774,996.30 to replace the self-financed funds invested at earlier stage in the Technical Renovation Project of Brewing Phrase I.
Idle fund-raising used for temporary supplementary liquidity	N/A
Amount and reason for surplus of	N/A

fund-raising	
Propose and direction of unused fund-raising	Idle fund-raising deposited in special accounts, namely the account (account number: 606036135) opened in CMSC Chengdu Branch and the account (account number: 028900178710606) opened in CMBC Xiti North Road Branch.
Problems and other situation when fund-raising is used and disclosed	N/A

5.5.3. Change the use for fund-raising

☐ Applicable ☒ N/A

No such cases in the reporting period

6. Sale of major assets and equity interests

6.1. Sale of major assets

☐ Applicable ☒ N/A

No such cases in the reporting period

6.2. Sale of major equity interests

☐ Applicable ☒ N/A

7. Analysis of major subsidiaries

☒ Applicable ☐ N/A

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

Unit: CNY

Company name	Company type	Business scope	Registered capital	Total assets	Net assets	Operating Revenue	Operating profit	Net profit
Sales Company of Luzhou Laojiao Co.,Ltd.	Subsidiary	Luzhou Laojiao series unified package liquor sales	100,000,000.00	5,148,402,191.56	1,458,990,115.71	12,743,309,108.03	3,702,880,002.83	2,770,784,102.55

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable ☐ N/A

Subsidiary name	How subsidiary was acquired or disposed during the reporting period	Impact on overall operation and results
Luzhou Laojiao fruit wine industry Co., Ltd.	Establishment	No significant impact
Mingjiang Co., Ltd.	Establishment	No significant impact
Luzhou Laojiao Guibin Service Co.,Ltd.	Liquidation and cancellation	No significant impact

Notes for major holding companies and joint stock companies

The operating profit and net profit of Sales Company increased 38.41% and 37.96% year on year, mainly due to increased sale revenue during the reporting period.

8. Structured entities controlled by the Company

☐ Applicable ☒ N/A

9. Outlook for the future development of the Company

9.1 Industry pattern and trends

In recent years, China's liquor industry has sped up the transformation from an expanding market to a competitive market. "Matthew effect" highlights "the strong gets stronger, the weak gets weaker, with diversified recovery". We believe that the adjustment of liquor-making industry will continue in the next five years trend with "Four Focus" and "Four Directions" as the main characteristics. "Four Focus" refer to focus on brand, quality, culture, and origin. "Four Directions" refer to the directions of youth, fashion, health and international development. Chinese liquor industry will gradually enter the era of "oligarchs".

9.2 Company's development strategy

9.2.1. Development opportunities in the future

A. Luzhou Laojiao, as one of China's most ancient "four famous liquor", has a long history, profound culture, superior quality and strong brand. In recent years, as the continuous optimization and improvement of scientific decision-making, internal management, team building, product quality control, competitive sales system construction, the Company's competitiveness has been further enhanced.

B. China has been implementing a proactive fiscal policy, increasing opening-up, improving the business environment, and implementing tax cuts and fee reductions, which are good for economic development in the medium and long term. The industry is facing multiple development opportunities such as the rise of the middle class, overall poverty alleviation, industrial upgrading and accelerated urbanization.

C. With the continuous adjustment of liquor industry and the significantly accelerated concentration, the Company ushers into the expansion of the proportion and strength and faces the historical opportunity.

9.2.2. Possible challenges and risks in the future

A. In 2019, the international political and economic situation is complex and contradictory. The process of economic globalization and international trade division of labor will continue to undergo major adjustments.

B. The domestic macro-economy has entered a relatively long period of medium and low-speed development, and faced multiple pressures, including financial risks, supply-side reform, conversion of old and new drivers of growth, ecological and environmental protection, and Sino-US trade frictions.

C. In a long period, the aging population in the liquor industry may lead to a decline in the demand, thus affecting the market sales scale and intensifying competition.

9.2.3. The Company's "13th five-year" development strategy

During the Company's "13th five-year" period, the overall plan is "12345" strategy, namely the clear return to China's liquor industry "top three" as one goal; adhering to "profession and strength" and "harmonious coexistence" as two principles; thoroughly carrying out the "three strengthening" including strengthening sales, strengthening management and strengthening talent team construction; Grasping the four key development steps of stability period, adjustment period, sprint period and achievement period between 2015 and 2020; Achieving the leading in China's liquor industry market, corporate governance, brand culture, quality and technology, and talent resources.

9.3 Completion of the business plan in 2018

In 2018, the Company achieved an operating revenue of CNY 13.055 billion and 100.35% of the target. The net profit attributable to shareholders of the listed company reached CNY 3.486 billion and 104.91% of the planned amount. Targets set at the beginning of the year was successfully achieved.

9.4 Business plan in 2019

In 2019, it is a deciding year for the Company's "13th Five-Year Plan" strategy. In the third year of sprint period, it will have a profound and significant influence on the future development of Luzhou Laojiao. The Company will be closely around the development theme of "firmness, management, scale", firmly determined to win, and adhere to independent development, seize the development opportunity, sprint to realizing leaping development. According to the *"Outline of Production and Operation in 2019"* reviewed and approved by the board of directors, the Company will strive to achieve a year-on-year increase in operating revenue of 15%-25%. (2019 business plan is prepared based on "13th Five-Year Plan" strategy combined with the Company's ability, not presenting the earning forecast for 2019, nor the company promise. Whether it can be realized, it depends on market conditions change, the management team effort, and many other factors. There are a lot of uncertainties and investors should pay special attention to it.)

The main measures are as follows:

1. Keep five resolutions

First, adhering to the development orientation of "profession and strength". The Company will focus on the development of liquor industry without distractions, concentrate on "double brands", and build "three lines" and "five single products". Second, adhering to a forward-looking pragmatic strategic vision. The Company will focus on strengthening the dynamic analysis of external competition and internal work, keeping strategic decisions forward-looking, systematic and scientific, and following through with the blueprint. Third, adhering to a scientific and efficient governance model. The Company will constantly improve the decision-making authorization system, adhere to scientific and democratic decision-making, and apply advanced management concepts, mechanisms and tools. Fourth, adhering to the path of innovation-driven development. The Company will promote high-quality development through scientific and technological innovation, adapt to consumption upgrading and the rise of the new generation of consumers with product innovation, empower the brand with concept innovation, and realize channel innovation

and service innovation through cross-border integration. Fifth, adhering to take a responsibility for harmonious coexistence. The Company will take the initiative to fulfill the social responsibility of large-scale backbone brewing enterprises, and continue to make contributions to targeted poverty alleviation, social public welfare, corporate tax and employment expansion. The Company also should strictly abide by the bottom line of environmental protection and safety red line, and maintain the unity and harmony of the industry, and the healthy development of the upstream and downstream industrial chain.

2. Strengthen the five-item management

First, strengthening strategic management. The consistent strategy execution system is constructed based on the principles of "strategy and corporate culture integration, matching with organizational functions, correlation with assessment and incentive, correspondence with distribution of rights and responsibilities, and linkage with resource allocation". Second, strengthening system management. The Company will accelerate the establishment of a management system with clear responsibilities, clear levels, and closed-loop management, and a management chain that goes horizontally to the edge and vertically to the end, so as to enhance synergy. Third, strengthening accurate management. According to the requirements of standardization, specialization, digitalization and refinement, the management refinement project should be implemented to establish and enhance the authority, guidance and practical operation of management. Fourth, strengthening risk management. The Company will guard against decision-making, market, management, business and integrity risks. Fifth, strengthening people-oriented management. The Company will enhance employees' sense of belonging, implement goal motivation and growth motivation, and stimulate employees' subjective initiative of active performance and happy growth.

3. Expand the five scales

First, expanding market scale. The Company will deepen push forward to developing overall region-oriented markets, and accelerate the nationwide distribution, attack and seize blank markets, and consolidate mature markets. Second, expanding the scale of resources. The Company will give full play to the core competitive advantages of Luzhou Laojiao culture, quality and technology and the overall advantages of the Company's brand pyramid, so that it can be transformed into brand resources and marketing resources, and corporate influence can be used to gather social resources. Third, expanding production scale. Technical renovation projects will be promoted with all efforts, and quality traceability management will be implemented. Quality management will be extended to the upstream and downstream of the industrial chain. Fourth, expanding enterprise scale. The Company should do a good job in major strategic investment and financing research and market value management, strengthen investor relationship management, constantly consolidate and improve Luzhou Laojiao's good image in the capital market, and timely promote the Company's expansion and development. Fifth, expanding the scale of talent. The Company should plan and build a "talent team pyramid" with enterprise leaders, industry experts and other high-level talents as the top; management, marketing and production composite talents and professional technical

backbone as the tower; and front-line basic business professionals as the base.

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

10.1 In the reporting period

√ Applicable ☐ N/A

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
31 January 2018	Field survey	Institution	Production and Business Operation (http://www.cninfo.com.cn/)
27 June 2018	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
25 September 2018	Field survey	Institution	Production and Business Operation (http://www.cninfo.com.cn/)
31 October 2018	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
6 November 2018	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
7 November 2018	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
29 November 2018	Field survey	Institution	Production and Business Operation (http://www.cninfo.com.cn/)
19 December 2018	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
Number of reception			8
Number of reception of institutions			261
Number of reception of individuals			5
Number of reception of others			7
Whether to disclose or divulge material information that has not been made public			NO

Section V Significant Events

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

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

√ Applicable ☐ N/A

According to the plan for profit distribution for 2017 was deliberated and approved by 2017 annual shareholders' meeting. Based on its total of 1,464,752,476 shares, the Company distributed a cash dividend of CNY 12.50 (tax inclusive) per 10 shares to all shareholders. The distribution plan was implemented on 16 July 2018.

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

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

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

Plan for profit distribution for 2017: Based on its total shares, the Company distributed a cash dividend of CNY 12.50 (tax inclusive) per 10 shares to all shareholders.

Plan for profit distribution for 2016: Based on its total shares, the Company distributed a cash dividend of CNY 9.60 (tax inclusive) per 10 shares to all shareholders.

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

Unit: CNY

Year	Cash dividends (tax included)	Net profit attributable to common shareholders in the consolidated statement in the year	Ratio to net profit attributable to common shareholders in the consolidated statement in the year	Cash dividends in other forms	Ratio of cash dividends in other forms	Total cash dividends (including other forms)	Ratio of cash dividends (including other forms)
2018	2,270,366,337.80	3,485,643,008.98	65.13%	0.00	0.00%	2,270,366,337.80	65.13%
2017	1,830,940,595.00	2,557,944,598.97	71.58%	0.00	0.00%	1,830,940,595.00	71.58%
2016	1,346,162,376.96	1,957,193,264.50	68.78%	0.00	0.00%	1,346,162,376.96	68.78%

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

☐ Applicable ☒ N/A

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

☒ Applicable ☐ N/A

Bonus shares for every 10 shares (share)	0
Dividends for every 10 shares (CNY) (tax included)	15.50
Total shares as the basis for the preliminary plan for profit distribution (share)	1,464,752,476
Total cash dividends (CNY) (tax included)	2,270,366,337.80
Cash dividends in other forms (e.g. repurchase share)	0.00
Total cash dividends (CNY) (including other forms)	2,270,366,337.80
Distributable profit (CNY)	10,181,899,224.84
Percentage of cash dividends in the total distributed profit (including other forms)	100%
Information of the cash dividends	
The development stage of the Company is mature and the Company has major fund expenditure arrangement. When the profit distribution is carried out, the proportion of cash dividends in this profit distribution should at least reach 40%.	

Details of preliminary plan for profit distribution and converting capital reserves into share capital

After taking minority shareholders' advice, the board of directors plans to distribute a cash dividend of CNY 15.50 (tax inclusive) per 10 shares to all shareholders based on its total of 1,464,752,476 shares, according to the Company's actual conditions. The remaining undistributed profit shall be carried forward for future distribution.

3. Performance of undertakings

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

√ Applicable ☐ N/A

Undertaking reasons	Undertaking giver	Type of undertakings	Details of undertakings	Undertaking date	Term	Particulars on the performance
Stock reform undertaking						
Undertaking made in the report of acquisition or change of interest						
Undertaking made in the reorganization of assets						
Undertakings given in time of IPO or refinancing	E Fund Management Co., Ltd., China Universal Asset Management Company Limited, Bosera Asset Management Co., Limited, Ping An Asset Management Co. Ltd., Caitong Fund Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd.	Restricted shares	For the shares of Luzhou Laojiao by non-public offering purchased, I/The unit undertakes that the shares will be not transferred within 12 months from new shares offering, including but not limited to public transfer and negotiating transfer. If laws and regulations have other rules on restricted period, it follows the rules.	2017.09.14	12 months	Fulfilled
	Luzhou Liquor	Restricted	For the shares of	2017.09.14	36 months	In progress

Undertaking reasons	Undertaking giver	Type of undertakings	Details of undertakings	Undertaking date	Term	Particulars on the performance
	Industry Investment Co.,Ltd.	shares	Luzhou Laojiao by non-public offering purchased, I/The unit undertakes that the shares will be not transferred within 12 months from new shares offering, including but not limited to public transfer and negotiating transfer. If laws and regulations have other rules on restricted period, it follows the rules.			
	SASAC of Luzhou, Laojiao Group	Other undertaking	1. Don't interfere in the Company's operation and management activities beyond its authority, and don't encroach on the Company's interests. 2. If any party violates this commitment and causes losses to the company or other shareholders, it shall be liable according to law. 3. This commitment is irrevocable.	2016.05.11	2018.12.31	Fulfilled
	Liu Miao, Lin Feng, Wang Hongbo, Jiang Yuhui, Shen Caihong, Zhang Ling, Du Shenlun, Xu Guoxiang, Tan Lili, Qian Xu, Ying Hanjie, He Cheng, Zhang Suyi, Xie Hong	Other undertaking	1. Promise not to transfer benefits to other units or individuals free of charge or under unfair conditions, nor to damage the interests of the Company in any other way. 2. Commitment to restrain the	2016.05.11	2018.12.31	Fulfilled

Undertaking reasons	Undertaking giver	Type of undertakings	Details of undertakings	Undertaking date	Term	Particulars on the performance
			position-related consumption behavior of directors and senior managers. 3. Promise not to use the Company's assets to engage in investment and consumption activities unrelated to its performance of duties. 4. Commit that the compensation system established by the board directors or the compensation committee will be linked to the implementation of the Company's compensation measures. 5. Promise that if the Company implements the equity incentive plan in the future, the exercise conditions of the Company's equity incentive will be linked to the implementation of the Company's compensation measures. 6. If any party violates this commitment and causes losses to the Company or shareholders, it shall be liable according to law. 7. This commitment is irrevocable.			
Equity incentive						

Undertaking reasons	Undertaking giver	Type of undertakings	Details of undertakings	Undertaking date	Term	Particulars on the performance
commitment						
Other undertakings to non-controlling shareholders						
Whether the undertaking is fulfilled on time	Yes					
Specific reasons for failing to fulfill any undertakings and plan for the next step	None					

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

No such cases in the reporting period.

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

No such cases in the reporting period.

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

√ Applicable ☐ N/A

Newly incorporated subsidiaries in this period

Name	Reason for change
Luzhou Laojiao Fruit Wine Industry Co., Ltd.	Establishment
Mingjiang Co., Ltd.	Establishment

Liquidation and cancellation for subsidiaries in this period

Name	Reason for change
Luzhou Laojiao Guibin Service Co., Ltd.	Liquidation and cancellation

On 12 September 2017, the 21st meeting of the eighth board of directors reviewed and approved the “*Proposal about establishment of Luzhou Laojiao fruit wine industry Co., Ltd. invested by subsidiary*”. The joint investment establishment of Luzhou Laojiao fruit wine industry Co., Ltd. was about to be implemented by Sales Company, a wholly owned subsidiary of the Company, and Sichuan Meihe wine Co., Ltd. and Luzhou Juhe wine development Co., Ltd.. In January 2018, the fruit wine industry was registered and established with a registered capital of CNY 50 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed CNY 20.5 million of investment and held 41% of the shares. Although the shareholding ratio of the Company is less than 51%, among the five members of the board of directors, the Company has sent three members, and the chairman of the board (legal representative) is the director sent by the Company. The Company has the actual control over the company, so it is included in the scope of consolidation.

On 12 September 2017, the 21st meeting of the eighth board of directors of the Company reviewed and approved the “*Proposal on the establishment of Mingjiang Co., Ltd. By subsidiary investment*”, and Sales Company, a wholly-owned subsidiary of the Company, planned to establish Mingjiang company in the United States with Luzhou Jiutai Liquor Sales Co., Ltd.. In January 2018, Mingjiang company was registered and established with a registered capital of USD 6 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed USD 3.24 million and held 54% of the shares. In addition, among the five members of the board of directors, the Company has sent three people to have actual control over the company, so it is included in the scope of consolidation.

Guibin company is a controlling subsidiary of Boda Marketing. The Company has decided to cancel Guibin company due to the increasingly prominent limitations of the special circulation channel model of single product. Guibin company has obtained the notice of approval of cancellation registration on 12 March 2018.

9. Engagement and disengagement of CPAs firm

CPAs firm at present

Name of the domestic CPAs firm	Sichuan Huaxin (Group) CPA Firm
The Company's payment for the domestic CPAs firm (CNY'0,000)	80
Consecutive years of the audit service provided by the domestic CPAs firm	20
Names of the certified public accountants from the domestic CPAs firm	Feng Yuan, He Fushou
Consecutive years of the audit service provided by the certified public accountants	1

Whether the CPAs firm was changed in the current period

☐ Yes ☒ No

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

☒ Applicable ☐ N/A

The Company appointed Sichuan Huaxin (Group) CPA Firm as the internal control auditor for this year. The remuneration of audit in total paid by the Company was CNY 400 thousand.

10. Possibility of listing suspension and termination after disclosure of this annual report

☐ Applicable ☒ N/A

11. Bankruptcy and reorganization

☐ Applicable ☒ N/A

No such cases in the reporting period.

12. Material litigation and arbitration

☒ Applicable ☐ N/A

Profile of litigation (arbitration)	Amount involved in the case (CNY' 0,000)	Whether it forms an estimate liability	Progress in litigation (arbitration)	Trial results and impacts of litigation (arbitration)	Execution of judgment of litigation (arbitration)	Date of disclosure	Disclosure index
The Company filed a lawsuit with ABC Changsha Yingxin Branch over a deposit dispute, and the case has been transferred to Hunan	14,942.5	No	Abatement of action	Abatement of action	Abatement of action	15 October 2014	See Section V "Other significant events"

Profile of litigation (arbitration)	Amount involved in the case (CNY' 0,000)	Whether it forms an estimate liability	Progress in litigation (arbitration)	Trial results and impacts of litigation (arbitration)	Execution of judgment of litigation (arbitration)	Date of disclosure	Disclosure index
Province Higher People's Court.							
The Company filed a lawsuit with ICBC Nanyang Zhongzhou Branch over a deposit dispute, and the case has been transferred to Henan Province Higher People's Court.	15,000	No	Abatement of action	Abatement of action	Abatement of action	10 January 2015	See Section V "Other significant events"

13. Punishments and rectifications

☐ Applicable ☒ N/A

No such cases in the reporting period.

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

No such cases in the reporting period.

16. Significant related party transactions

16.1. Related party transactions arising from routine operation

☐ Applicable ☒ N/A

During the reporting period, the Company does not have any related party transactions with a total of more than CNY 30 million and accounting for more than 5% of the Company's audited net assets in the latest period.

The Company's 2018 daily affiliated transactions shall be implemented in accordance with the "Proposal on the estimated 2018 annual daily affiliated transactions" reviewed and

approved at the 26th meeting of the eighth board of directors. For details, please refer to Section XI “12. Related parties and related party transactions”

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

☐ Applicable ☒ N/A

No such cases in the reporting period.

16.3. Related party transactions arising from joint investments in external parties

☐ Applicable ☒ N/A

No such cases in the reporting period.

16.4. Credits and liabilities with related parties

☐ Applicable ☒ N/A

No such cases in the reporting period.

16.5. Other significant related party transactions

☐ Applicable ☒ N/A

No such cases in the reporting period.

17. Significant contracts and their execution

17.1. Trusteeship, contracting and leasing

17.1.1. Trusteeship

☐ Applicable ☒ N/A

No such cases in the reporting period.

17.1.2. Contracting

☐ Applicable ☒ N/A

No such cases in the reporting period.

17.1.3. Leasing

☐ Applicable ☒ N/A

No such cases in the reporting period.

17.2. Major guarantees

☐ Applicable ☒ N/A

No such cases in the reporting period.

17.3. Entrusted cash asset management**17.3.1. Entrust assets management**

☐ Applicable ☒ N/A

17.3.2 Entrust loans

☐ Applicable ☒ N/A

No such cases in the reporting period.

17.4 Other significant contracts

☐ Applicable ☒ N/A

No such cases in the reporting period.

18. Social Responsibilities**18.1 Information about taking social responsibilities**

See details in *2018 Annual Social Responsibilities Report* on the same date of the announcement.

18.2 Information about targeted poverty alleviation**18.2.1 Targeted poverty alleviation plan**

Overall goals: the Company adheres to the enterprise concept of "heaven and earth with liquor, living symbiosis". In the anti-poverty battle, the Company strengthens the political responsibility and social responsibility, actively support three poverty-stricken counties and eleven poverty-stricken villages successively in two national poverty-stricken areas, namely Wumengshan District and Yi area and Tibetan area of Sichuan province. It focuses on precise poverty alleviation in Xiangtian village, Gulin county and Guntang village, Hongyuan county, Aba prefecture. The Company gives comprehensive support on manpower, material resources and financial resources in aspect of the industrial development, infrastructure construction, education and health and other key projects. In the process of work, it is necessary to highlight precise assistance and precise poverty alleviation, pay attention to improving the quality of poverty alleviation and consolidating the achievements of poverty alleviation, and earnestly implement policies, measures, funds, projects and responsibilities to ensure real poverty alleviation, and ensure the acceptance of poverty alleviation in whole by the end of 2018.

Main task: (1) poverty households out of poverty. According to the poverty alleviation standard of CNY 3,600 per capita per year per family, the cultivation and breeding industry are developed to ensure and improve industrial achievements. Focusing on the standard of "three guarantees", the poor households with safe housing are upgraded to improve their living conditions. Around the "three have" standard, cooperating with the party committee and government of Maiwa town in Hongyuan county and Longshan town in Gulin county, the Company realized the full coverage of water grid in two villages, and ensured the standard of living water, safe electricity and agricultural network signals. (2) The poor village out of poverty. Centering on the standard of "four good new villages", the

peripheral environment of Xiangtian village and Wentang village is upgraded to cultivate good habits of farmers and form a good atmosphere. The Company guides and supports the village collective economy, consolidates and improves the village collective economy by means of donation and collective management, share dividends, asset leasing and other forms, and ensures that the income is up to the standard. The Company supports the construction of village-to-village highways, production roadways and motor-plow roadbeds, and improves the working and living conditions of poor households.

Safeguard measures: the Company gives strong support to the two villages in terms of technical guidance, project funds, skill training and industrial development. Members of the Company's leadership team focus on helping poor villages out of poverty once every two months to solve practical difficulties and problems. The Company, together with the village working group, the first secretary and agricultural technicians, conducts quarterly analysis, research and implementation of poverty alleviation projects, livelihood projects and infrastructure construction in the two villages. The Company organizes party members and cadres to participate in pairing assistance, "one-to-one" establishment of pairing assistance ledger. In this year, they helped contact poor households to solve 2-3 specific problems. If it is not out of poverty, they will not quit.

18.2.2 Outline of annual targeted poverty alleviation

In 2018, targeted poverty alleviation work has entered the phase of the sprint of "solving tough issue and assaulting fortified positions". The Company's counterparts in targeted poverty alleviation are Longshan town, Gulin county and Guntang village, Hongyuan county, Aba prefecture. It has entered the years of poverty alleviation acceptance. The Company further clears thinking, strengthens the responsibility, and takes bigger, stronger, more directly, more efficient and more sustainable measures in targeted poverty alleviation work. The Company solves the difficult problem as an emphasis and breakthrough of poverty alleviation work with actively planning and vigorously implementation. The two key villages have been out of poverty, and the poverty alleviation efforts have achieved remarkable results.

18.2.3 Poverty alleviation achievement

Indicator	Unit	Amount/Implementation situation
A. Overall situation	—	—
Including: 1.Fund	CNY 100,000	2,072.21
3.Number of establishing card for archives of poor people out of poverty	Person	437
B. Input by project	—	—
1.Industrial development	—	—
Including: 1.1 Type of poverty alleviation projects for industrial development	—	Poverty alleviation through agriculture and forestry
1.2Number of poverty alleviation projects for industrial development	Item	7
1.3Amount invested in poverty alleviation	CNY 100,000	303

Indicator	Unit	Amount/Implementation situation
projects for industrial development		
1.4 Number of establishing card for archives of poor people out of poverty	Person	437
2.Transfer and employment	——	——
3.Removal and relocation	——	——
4.Educational poverty alleviation	——	——
Including: 4.1 Input of aiding poor students	CNY 100,000	40
4.2 Number of aiding poor students	Person	22
5.Health poverty alleviation	——	——
Including:5.1 Input of medical and health resources in poverty-stricken area	CNY 100,000	1,600
6.Ecological protection	——	——
7.Basic guarantee	——	——
8.Social poverty alleviation	——	——
9.Other project	——	——
Including: 9.1.Item	Item	3
9.2.Input amount	CNY 100,000	129.21
C. Awards (content and level)	——	——
National level		“Poverty alleviation of the year award” awarded by people.com.cn
Provincial level		Advanced Unit of "Five One" Poverty Alleviation awarded by Sichuan provincial party committee and provincial government
Municipal level		Advanced Unit of Donation awarded by Luzhou poverty alleviation and development association

18.2.4 Fellow-up poverty alleviation plan

In 2019, comprehensive rectification and improvement will be made based on the two villages out of poverty. The Company regards ““Civilized new village” and “Four good new village” as goals. It focuses on consolidating the results of poverty alleviation work and further improve the infrastructure and villagers’ quality, optimize the village environment, enhance the hard power of growing rich and help to achieve the leaping and high-quality development of the village, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and “Rural Revitalization Strategy”.

Key work: the Company adheres to “Real Poverty Alleviation” and works with “1573” poverty alleviation plan, namely adhering to one goal, carrying out five support teams, refining seven supporting measures and ultimately achieving three great results. The

Company pushes forward poverty alleviation according to the sustainable development concept and the slogan that “what you lack, I will supply. What you need, I will help”.

Safeguard measures: the Company adheres to policy implementation as the basic guarantee and industrial development as the main path. Fostering the will and wisdom is the fundamental measure, and the building of a new civilized village is a booster. The Company gives strong support to these two villages in aspect of technical guidance, project funds, skill training, industrial development and quality education.

18.3 Information about environment protection

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

Yes

Company name	Name of main pollutant and particular pollutant	Discharge type	Number of discharge outlet	Distribution of discharge outlet	Emission concentration	Pollution discharge standard	Total emission	Approved total emission	Excessive discharge
Luzhou Laojiao Co.,Ltd.	COD	Continuous discharge	1	Luohan Base	23.999	100mg/L	5.978t	50t	No
Luzhou Laojiao Co.,Ltd.	Ammonia nitrogen	Continuous discharge	2	Luohan Base	1.36	10mg/L	0.401t	3t	No
Luzhou Laojiao Co.,Ltd.	Sulfur dioxide	Continuous discharge	2	Luohan Base	344	550mg/m ³	15.513t	125t	No
Luzhou Laojiao Co.,Ltd.	Oxynitride	Continuous discharge	2	Luohan Base	275	400mg/m ³	39.695t	50t	No
Luzhou Laojiao Co.,Ltd.	Smoke	Continuous discharge	2	Luohan Base	57.9	80mg/m ³	1.326	20t	No

Information about construction and operation of anti-pollution installations

Waste water: The Company has a sewage treatment station in Luohan Base, which is equipped with an automatic online monitoring instrument for COD, ammonia nitrogen, total phosphorus, total nitrogen and flow. The real-time monitoring data is connected with the superior environmental protection department for operation. The pollution treatment facilities are in normal operation, and the waste water discharge indexes are up to the standard. All production areas of the Company have implemented the rainwater and sewage diversion, and the high-concentration waste-water from the old brewery workshops in the urban area has been treated by the truck transportation to the Luohan sewage station for discharge up to the standard.

Waste gas: The Company's old brewery in the urban area adopts clean fuel and natural gas for brewing. In view of the Luohan brewery base, natural gas fuel is adopted after the technical transformation from coal to gas for boilers. The online automatic monitoring instrument for waste gas is installed and the dust remover facilities are in normal operation.

All construction projects are in accordance with the requirements of the state environmental protection laws and regulations. The Company carries out environmental impact assessment and obtains the environmental protection administrative permission, such as the brewing engineering technical upgrading project, Luzhou Laojiao intelligent packaging center technological upgrading project, sewage station technical upgrading project, boiler upgrading project, and application of new model of solid-state method liquor production workshop. These projects were carried out environment impact assessment and the Company obtained environmental protection administrative permission.

Emergency plan for environmental emergencies

The Company has prepared the "*Emergency plan for environmental emergencies*" and reported it to Luzhou environmental emergency center for the record. The Company organizes all departments (units) to study the emergency plan, and carries out a comprehensive emergency plan drill every year to improve the emergency handling capacity of all staff.

Environmental self-monitoring program

The Company has developed an environmental self-monitoring program and reported it to the superior environmental protection department for the record. The automatic monitoring data will be connected with the superior environmental protection department for operation. Relevant self-monitoring information will be disclosed on the "pollution source monitoring information disclosure platform of key monitoring enterprises in Sichuan province" as required to receive social supervision.

There is no other environmental information that should be disclosed, in accordance with the requirements of environmental protection timely and truthfully.

Other information about environment protection

N/A

19. Other significant events

☒ Applicable ☐ N/A

The Company's three savings deposits of CNY 500 million, including ABC Changsha Yingxin Branch and ICBC Nanyang Zhongzhou Branch are involved in contract disputes. The Company has reported to the public security authorities for intervention with the assets preservation measure and filed civil claims for two contract disputes among the three cases. Combined with the assets preservation situation of the public security authorities and professional legal advice issued by lawyers, the Company has made a provision of CNY 200 million for bad debts for the deposit of CNY 500 million for contract disputes. As of December 31, 2018, the Company has collected a total of CNY 192,543,724.75 related to three deposit contract disputes. Due to the criminal case

involved, the case is still in the state of suspension of civil litigation. As the case progresses, the amount of bad provision may be adjusted.

See details in the Company's announcements:

Date of announcement	No.	Catalogue	Official website
15 October 2014	2014-35	Announcement of significant litigation	http://www.cninfo.com.cn/
12 November 2014	2014-41	Announcement of significant litigation progress	
6 December 2014	2014-43	Announcement of significant litigation progress part II	
10 January 2015	2015-1	Announcement of significant events	
4 February 2015	2015-4	Announcement of significant events progress	
25 March 2015	2015-11	Announcement of significant litigation progress part III	
18 April 2015	2015-20	Announcement of significant litigation progress part IV	
22 April 2015	2015-21	Announcement of significant events progress part II	
24 April 2015	2015-25	Announcement of significant litigation progress part V	
15 July 2015	2015-44	Announcement of significant litigation progress part VI	
22 July 2015	2015-45	Announcement of significant litigation progress part VII	
6 June 2018	2018-17	Announcement of significant litigation progress part VIII	

20. Significant events of subsidiaries

√ Applicable ☐ N/A

The Company disclosed the technical renovation project of brewing invested by Brewing Company, a subsidiary of the Company. The total investment amount is CNY 741,428. See details in the announcement *About subsidiary technical renovation project of brewing*, No: 2016-12 (<http://www.cninfo.com.cn/>). At present, this project is under construction and the progress refers to Section IV 5. Investment.

Section VI Changes in Shares and Information about Shareholders

1. Changes in shares

1.1 Changes in shares

Unit: Share

	Before		Changes in this year (+, -)					After	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion
I.Restricted shares	62,980,515	4.30%				-58,333,334	-58,333,334	4,647,181	0.32%
2.Shares held by state-owned corporations	4,166,666	0.28%						4,166,666	0.28%
3.Shares held by other domestic investors	58,813,849	4.02%				-58,333,334	-58,333,334	480,515	0.03%
Including: shares held by domestic corporations	58,333,334	3.98%				-58,333,334	-58,333,334		
Shares held by domestic individuals	480,515	0.03%						480,515	0.03%
II.Non-restricted shares	1,401,771,961	95.70%				58,333,334	58,333,334	1,460,105,295	99.68%
1.CNY common shares	1,401,771,961	95.70%				58,333,334	58,333,334	1,460,105,295	99.68%
III.Total shares	1,464,752,476	100.00%				0	0	1,464,752,476	100.00%

Reasons for the change in shares

√ Applicable □ N/A

The Company's 2016 non-public offering of shares issuance objects are E Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., Bosera Asset Management Co., Ltd., Ping An Asset Management Limited, Caitong Fund Management Co., Ltd. and Minsheng Royal Fund Management Co., Ltd.. They held a total amount of 58,333,334 shares and the restricted shares can be unlocked on 14 September 2018.

Approval of share changes

☐ Applicable ☒ N/A

Transfer of share ownership

☐ Applicable ☒ N/A

Implementation progress of shares repurchases

☐ Applicable ☒ N/A

Implementation progress of share buyback reduction through centralized bidding

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

1.2 Changes in restricted shares

☒ Applicable ☐ N/A

Unit: Share

Name of shareholder	Opening balance of restricted shares	Unlocked in current period	Increased in current period	Closing balance of restricted shares	Reason for restriction	Date of unlocking
E Fund Management Co., Ltd.	21,874,999	21,874,999	0	0	Non-public offering of new shares	2018-09-14
China Universal Asset Management Co., Ltd.	6,666,666	6,666,666	0	0	Non-public offering of new shares	2018-09-14
Bosera Asset Management Co., Ltd.	9,583,333	9,583,333	0	0	Non-public offering of new shares	2018-09-14
Ping An Asset Management Limited	6,666,666	6,666,666	0	0	Non-public offering of new shares	2018-09-14
Caitong Fund Management Co., Ltd.	7,083,333	7,083,333	0	0	Non-public offering of new shares	2018-09-14
Minsheng Royal Fund Management Co., Ltd.	6,458,337	6,458,337	0	0	Non-public offering of new shares	2018-09-14
Total	58,333,334	58,333,334	0	0	--	--

2. Issuance and listing of securities

2.1 Securities (excluding preference shares) issued in the reporting period

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

2.3 Existing staff-held shares

☐ Applicable ☒ N/A

3. Shareholders and actual controller

3.1 Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	70,896	Total number of common shareholders at the prior month-end before the disclosure date of the annual report	57,427	Total number of preference shareholders with resumed voting rights by the end of the reporting period (if any)(see Note 8)			0	Total number of preference shareholders with resumed voting rights by the end of the reporting period (if any)(see Note 8)	0
Shareholdings of shareholders with a shareholding percentage over 5% or the top 10 shareholders									
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held by the end of the reporting period	Increase/decrease during the reporting period	Number of holding restricted shares	Number of holding non-restricted shares	Pledged or frozen shares		
							Status of shares	Number of shares	
Luzhou Laojiao Group Co.,Ltd.	State-owned corporation	26.02%	381,088,389	0		381,088,389			
Luzhou Xinglu Touzi Jituan Co., Ltd.	State-owned corporation	24.99%	365,971,142	0		365,971,142	Pledged	165,980,000	
Hong Kong Securities Clearing Company Limited	Outbound corporation	3.27%	47,941,180	24,241,380		47,941,180			
China Securities Finance Corporation limited	State-owned corporation	2.31%	33,842,059	8,628,402		33,842,059			
Agricultural Bank of China Co.,Ltd. - Consumption industry	Other	1.69%	24,704,591	8,518,928		24,704,591			

stock - based securities investment fund by E fund								
Central Huijin Asset Management Co.,Ltd.	State-owned	1.43%	20,937,500	0		20,937,500		
Bank of China Co.,Ltd. – Middle and small capital stock s hybrid securities investment fund by E fund	Other	1.40%	20,458,383	13,790,017		20,458,383		
Bank of China Co.,Ltd. – Liquor index classification securities investment fund by China Merchants Fund	Other	1.37%	20,132,357	8,463,715		20,132,357		
China Life Insurance Co.,Ltd. - Traditional - general insurance products -005L-CT001 SHEN	Other	1.08%	15,853,102	12,821,436		15,853,102		
National Social Security Fund-109 portfolio	Other	0.71%	10,457,657	6,088,803		10,457,657		
Strategic investors or general corporations become the top-ten shareholders due to placing of new shares (if any) (see note 3)	N/A							

Related parties or acting-in-concert	1. Laojiao Group and Xinglu Group are both wholly state-owned companies under the jurisdiction of SASAC of Luzhou. The two companies signed the agreement of persons acting in concert on 31 December 31 2015. For details, please refer to the announcement of the Company on 5 January 2016 - <i>Announcement on the agreement of persons acting in concert signed by shareholders</i> . The announcement number is 2016-1 (http://www.cninfo. com.cn/)		
	2. During the reporting period, Sichuan Jintuo Investment Co., Ltd., a wholly-owned subsidiary of Laojiao Group, reduced its shares of the Company by 5,574,478 shares. By the end of the reporting period, Sichuan Jintuo investment Co., Ltd. no longer held shares of the Company.		
	3. In addition, whether there is an association between the remaining shareholders or they belong to persons acting in concert is unknown.		
Shareholdings of the top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held in by the end of the reporting period	Type of shares	
		Type	Number
Luzhou Laojiao Group Co.,Ltd.	381,088,389	CNY common shares	381,088,389
Luzhou Xinglu Touzi Jituan Co., Ltd.	365,971,142	CNY common shares	365,971,142
Hong Kong Securitu es Clearing Company Limited	47,941,180	CNY common shares	47,941,180
China Securities Finance Corporation limited	33,842,059	CNY common shares	33,842,059
Agricultural bank of China Co.,Ltd. - Consumption industry stock - based securities investment fund by E fund	24,704,591	CNY common shares	24,704,591
Central Huijin Asset Management Co.,Ltd.	20,937,500	CNY common shares	20,937,500
Bank of China Co.,Ltd. – Middle and small capital stock s hybrid securities investment fund by E fund	20,458,383	CNY common shares	20,458,383
Bank of China Co.,Ltd. – Liquor index classification securities investment fund by China Merchants Fund	20,132,357	CNY common shares	20,132,357

China Life Insurance Co.,Ltd. - Traditional - general insurance products -005L-CT001 SHEN	15,853,102	CNY common shares	15,853,102
National Social Security Fund 109 portfolio	10,457,657	CNY common shares	10,457,657
The statement of association or acting-in-concert between the top 10 shareholders of unrestricted shares and between the top 10 shareholders of unrestricted shares and top 10 shareholders	See the table above		
Explanation on the top 10 common shareholders participating in the securities margin trading (if any) (see Note 4)	During the reporting period, Xinglu Group took its 57,000,000 shares of our company as collateral to participate in financing business through Citic Securities Company Limited		

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

☐ Yes ☒ No

The top 10 non-restricted common shareholders, the top10 common shareholders did not conduct any promissory repurchase during the reporting period.

3.2 Controlling shareholder

Nature of controlling shareholder: Local state-owned

Type of controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
Luzhou Laojiao Group Co., Ltd.	Zhang Liang	2000-12-21	91510500723203346U	Investment and asset management; Investment in wine, food, finance, trade, logistics, education, medical and health care, cultural tourism and Internet industries; Holding company services; Social and economic consulting, enterprise management consulting, enterprise management services; Supply chain management services; Import and export business and trade agents; Food production and sales (including online); Crop cultivation and marketing services (including online).
Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period	1. As of 30 June 2018, Laojiao Group holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares. 2. As of 19 November 2018, Laojiao Group holds 191,604,159 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its wholly-owned subsidiary, Sichuan Jintuo investment Co., Ltd., accounting for 26.88% of the total issued shares. 3. As of 31 December 2018, Laojiao Group holds 475,940,143 shares of Huaxi Securities Co., Ltd. (002926.SZ), accounting for 18.13% of the total issued shares. 4. As of 31 December 2018, Laojiao Group holds 325,440,000 shares of Luzhou Bank (01983.HK), accounting for 14.91% of the total issued shares.			

Change of the controlling shareholder during the reporting period

☐Applicable ☒N/A

No such cases in the reporting period

3.3 Actual controller and its persons acting in concert

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

Type of actual controller: Corporation

Name of actual controller	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
SASAC of Luzhou	Yu Zhiqiang	2005-03-01	11510400771686813T	State-owned assets supervision and administration department
Share holdings of the controlling	1. As of 30 June 2018, Luzhou Group, a wholly-owned subsidiary of SASAC of Luzhou, holds 511,654,127 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 59.52% of			

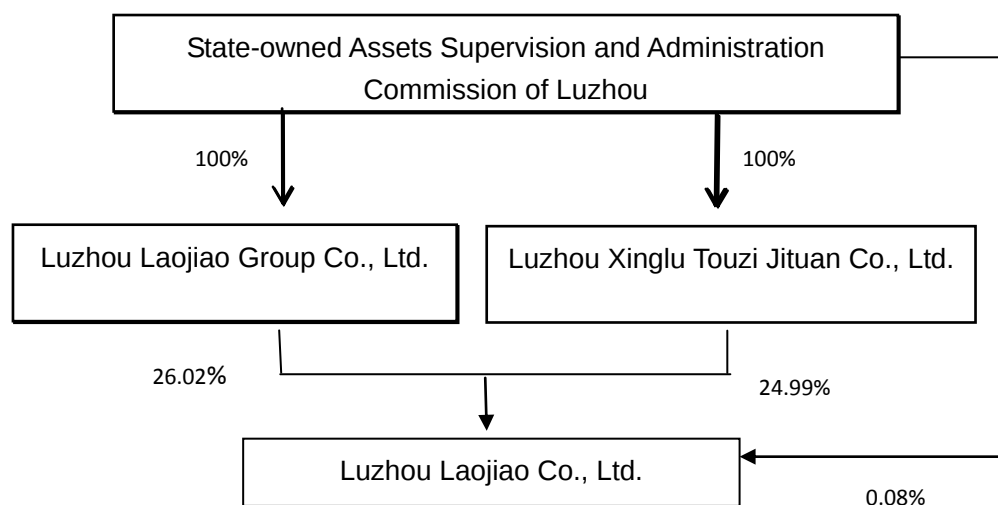
shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period.	the total issued shares. Luzhou Infrastructure Construction Investment Co., Ltd., a holding subsidiary of Luzhou Group, holds 62,709,563 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), and accounting for 7.29% of the total issued shares. Laojiao Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares. 2. As of 19 November 2018, Laojiao Group holds 191,604,159 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its wholly-owned subsidiary, Sichuan Jintuo investment Co., Ltd., accounting for 26.88% of the total shares issued. 3. As of 31 December 2018, Luzhou Industrial Investment Group Co., Ltd., a holding Company under the jurisdiction of SASAC of Luzhou, holds 115,064,610 shares of Sichuan Lutianhua Company Limited (000912.SZ), accounting for 7.34% of the total shares issued. Sichuan Lutianhua Company Limited, a wholly-owned subsidiary of Luzhou Industrial Investment Group Co., Ltd., holds 286,000,000 shares of Sichuan Lutianhua Company Limited (000912.SZ), and accounting for 18.24% of the total issued shares. 4. As of 31 December 2018, Laojiao Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 475,940,143 shares of Huaxi Securities Co., Ltd. (002926.SZ), accounting for 18.13% of the total issued shares.
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Change of the actual controller during the reporting period

☐Applicable ☒N/A

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

Ownership and control relations between the actual controller and the Company



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

☐Applicable ☒N/A

3.4 Other corporate shareholders with a shareholding proportion over 10%

☒Applicable ☐N/A

Name of actual controller	Legal representative/Company principal	Date of establishment	Registered capital (CNY)	Main business scope
Luzhou Xinglu Touzi Jituan Co., Ltd.	Yuan Douquan	2003-01-28	4,934,049,244	Investment and asset management; Project management services; Self-fiance real estate business activities; Investment advisory services, financial advisory services

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

☐Applicable ☒ N/A

Section VII Preference Shares

☐ Applicable ☒ N/A

No preferred stock in the Company during the reporting period.

Section VIII Profiles of Directors, Supervisory, Senior Management and Employees

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

Name	Title	Incumbent/ Former	Gender	Age	Period of service	Shares held by the beginning of the reporting period (share)	Shares increased during the reporting period (share)	Shares decreased during the reporting period (share)	Other increase/ decrease (share)	Shares held by the end of the reporting period (share)
Liu Miao	Chairman of the board, Secretary of the party committee	Incumbent	Male	49	2015.6.30-2021.6.27	192,187	0	0	0	192,187
Lin Feng	Director, general manager, Deputy secretary of the party committee	Incumbent	Male	45	2015.6.30-2021.6.27	0	0	0	0	0
Wang Hongbo	Director, Deputy general manager, Deputy secretary of the party committee, Secretary of the board	Incumbent	Male	55	2015.3.06-2021.6.27	0	0	0	0	0
Jiang Yuhui	Director, Deputy secretary of the party committee, Secretary of committee for discipline Inspection, chairman of the labor union	Incumbent	Female	56	2009.5.20-2021.6.27	254,000	0	0	0	254,000
Shen Caihong	Director, Deputy general manager	Incumbent	Male	53	2002.6.30-2021.6.27	184,500	0	0	0	184,500
Du Kunlun	Non-executive director	Incumbent	Male	50	2015.6.30-2021.6.27	0	0	0	0	0
Xu Guoxiang	Non-executive director	Incumbent	Male	59	2015.6.30-2021.6.27	0	0	0	0	0
Tan Lili	Non-executive director	Incumbent	Female	64	2015.6.30-2021.6.27	0	0	0	0	0
Liu Junhai	Non-executive director	Incumbent	Male	49	2018.6.27-2021.6.27	0	0	0	0	0
Qian Xu	External director	Incumbent	Male	55	2015.6.30-2021.6.27	0	0	0	0	0

Name	Title	Incumbent/ Former	Gender	Age	Period of service	Shares held by the beginning of the reporting period (share)	Shares increased during the reporting period (share)	Shares decreased during the reporting period (share)	Other increase/ decrease (share)	Shares held by the end of the reporting period (share)
Ying Hanjie	External director	Incumbent	Male	49	2016.9.13-2021.6.27	0	0	0	0	0
Zhang Ling	Non-executive director	Former	Male	63	2012.6.30-2018.6.27	0	0	0	0	0
Wu Qin	Chairman of supervisory committee	Incumbent	Male	57	2015.6.30-2021.6.27	0	0	0	0	0
Lian Jing	Supervisor	Incumbent	Male	49	2012.6.27-2021.6.27	0	0	0	0	0
Yang Benhong	Supervisor	Incumbent	Female	52	2009.5.20-2021.6.27	10,000	0	0	0	10,000
Cao Cong	Supervisor	Incumbent	Male	34	2015.6.30-2021.6.27	0	0	0	0	0
Li Guangjie	Supervisor	Incumbent	Male	49	2018.6.27-2021.6.27	0	0	0	0	0
Yang Jiaping	Supervisor	Former	Male	35	2011.7.19-2018.6.27	0	0	0	0	0
Xie Hong	CFO	Incumbent	Female	49	2015.3.06-2021.6.27	0	0	0	0	0
He Cheng	Deputy general manager	Incumbent	Male	52	2015.6.30-2021.6.27	0	0	0	0	0
Zhang Suyi	Deputy general manager	Incumbent	Male	47	2015.6.30-2021.6.27	0	0	0	0	0
Total						640,687	0	0	0	640,687

2. Changes in directors, supervisors, and senior management

✓ Applicable □ N/A

Name	Title	Type	Date	Reason
Zhang Ling	Non-executive director	Stepped down and leave	2018.06.27	General Election
Yang Jiaping	Supervisor	Stepped down and leave	2018.06.27	General Election

3. Employment information

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

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

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

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

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

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

Mr. Du Kunlun, Male, born in 1969, Doctor of Economic, senior accountant, CPA, CPV. He was the investigator of CSRC Sichuan Supervision Bureau, member of the 12th and 13th mainboard committee of CSRC, deputy director of the Sichuan Province Institute of Finance and Trade Economics of Social Sciences Academy, non-executive director of

Sichuan Chengfei Integration Technology Co.,Ltd., Aecc Aero Science And Technology Co., Ltd and Tianfu (Sichuan) United Equity Exchange Center Co., Ltd. At present, he is researcher, Master supervisor of Finance and Trade Economics Institute of Social Sciences Academy in Sichuan Province, non-executive director of Tongwei Co., Ltd, Sichuan Tianqi Lithium Industries Co.,Ltd. and Chengdu Jule Food Co., Ltd. He has served as a non-executive director of the Company since June 2015.

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

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

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

Mr. Qin Xu, Male, born in 1963, EMBA. He was deputy general manager of Hong Kong Jingtai industrial Group, director and general manager of Beijing Enterprises Real-Estate Group Co.,Ltd.. At present, he is chairman of the board of Beijing Enterprises Real-Estate Group Co.,Ltd., chairman of the board of Beijing Properties (Holdings) Limited (Listed

on the Hong Kong Stock Exchange), non-executive director of CAQ Holdings Limited (Listed on the Australian Stock Exchange), executive director of MillenMin Ventures Inc. (Listed on the Toronto Stock Exchange). He has served as a non-executive director of the Company since June 2015.

Mr. Yinghanjie, Male, born in 1969, Doctor of Biochemistry, and professor. He was deputy director of Pharmacy and Life Sciences School of Nanjing University of Technology. At present, he is deputy director of National Biochemical Engineering Technology Research Center of Nanjing Tech University, chairman of the board of Nanjing Biotgether Co., Ltd. and director of Nanjing High Tech University Biological Technology Research Institute Co., Ltd. He has served as a non-executive director of the Company since September 2016.

Mr. Wu Qin, Male, born in 1962, Bachelor degree. He was deputy director of Luzhou Economic Commission, deputy director of Luzhou Economic and Information Technology Commission, deputy director of Luzhou Development and Reform Commission and director of Luzhou Railway Construction Office. At present, he is the chairman of the Company's supervisory committee.

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

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

Mr. Cao Cong, Male, born in 1984, Bachelor degree. He was deputy manager of accounting department of Luzhou Winery Industry Jizhong Development District Co., Ltd., financial executive of Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.,

and deputy director of audit department of the Company. At present, he is supervisor and director of audit department of the Company.

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

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

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

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

Position in shareholder-holding companies

√ Applicable □ N/A

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

Position in other companies

√ Applicable □ N/A

Name	Name of other companies	Position in other companies	Beginning date of term	Ending date of term	Any remunerations received from other companies
Du Kunlun	Tongwei Co., Ltd, Sichuan Tianqi Lithium Industries Co.,Ltd. and	Non-executive director			

Name	Name of other companies	Position in other companies	Beginning date of term	Ending date of term	Any remunerations received from other companies
	Chengdu Jule Food Co., Ltd.				
Du Kunlun	Sichuan Province Institute of Finance and Trade Economics of Social Sciences Academy	Researcher			
Xu Guoxiang	Shanghai University of Finance and Economics Applied Statistics Research Center	Director			
Xu Guoxiang	Shanghai Xintonglian Packaging Co.,Ltd. and Dazhong Transportation (Group) Co.,Ltd.	Supervisor			
Xu Guoxiang	Orient Securities Co.,Ltd.	Non-executive director			
Tan lili	Guangzhou Metro Design Institute	Non-executive director			
Liu Junhai	Institute of Commercial Law of Renmin University of China	Director			
Liu Junhai	Tus-Sound Environmental Resources Co., Ltd., China Resources Double-Crane Pharmaceutical Co., Ltd., Landocean Energy Services Co., Ltd., China Investment Securities Co., Ltd	Non-executive director			
Qian Xu	Beijing Enterprises Real-Estate Group Co.,Ltd.	Chairman of the board			
Qian Xu	Beijing Properties (Holdings) Limited	Chairman of the board			
Qian Xu	CAQ Holdings Limited.	Non-executive director			
Qian Xu	MillenMin Ventures Inc.	Executive Director			
Ying Hanjie	National Biochemical Engineering Technology Research Center of Nanjing University of Technology	Director			
Ying Hanjie	Nanjing Biotgether Co., Ltd.	Chairman of the board			
Ying Hanjie	Nanjing High Tech University Biological Technology Research Institute Co., Ltd.	Director			
Lian Jing	Luzhou State-Owned Capital Operation and Management Co. Ltd	Chairman of the supervisory committee			
Lian Jing	Luzhou Guoxin Asset Management Co. Ltd.	Executive director, general manager			
Lian Jing	Luzhou Liquor Industrial Park Development and Investment Co. Ltd.,	External director			

Name	Name of other companies	Position in other companies	Beginning date of term	Ending date of term	Any remunerations received from other companies
	Luzhou Public Transportation Group Co. Ltd., Luzhou Aviation Development Investment Co. Ltd., Luzhou Culture Tourism Development Investment Group Co. Ltd., Sichuan Rongtong Security Investment Group Co. Ltd				

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

☐ Applicable ☒ N/A

4. Remuneration of directors, supervisors and senior management

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

Decision-making procedures for directors, supervisors and senior management	The remuneration of non-executive directors, external directors and external supervisors shall be determined by the general meeting of shareholders, and the remuneration of directors, supervisors and senior management who hold positions within the Company shall be determined by relevant rules of SASAC of Luzhou and relevant rules of the Company
Grounds on which decisions are made of directors, supervisors and senior management	Calculate according to the assessment index and weight established at the beginning of the year.
Actual remuneration payment of directors, supervisors and senior management	Details refer to "Remuneration of directors, supervisors and senior management during the reporting period".

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

Unit CNY 100,000

Name	Position	Gender	Age	Incumbent / Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Liu Miao	Chairman of the board, secretary of the party committee	Male	49	Incumbent	60	No
Lin Feng	Director, General manager, Deputy secretary of the party committee	Male	45	Incumbent	60	No
Wang Hongbo	Director, Deputy general manager, Deputy secretary of the party committee, Secretary of the board	Male	55	Incumbent	48	No
Jiang Yuhui	Director, Deputy secretary of the party committee, Secretary of committee for discipline inspection, Chairman of the labor union	Female	56	Incumbent	48	No
Shen Caihong	Director, Deputy general manager	Male	53	Incumbent	48	No
Du Kunlun	Non-executive director	Male	50	Incumbent	9.52	No
Xu Guoxiang	Non-executive director	Male	59	Incumbent	9.52	No
Tan Lili	Non-executive director	Female	64	Incumbent	9.52	No
Liu Junhai	Non-executive director	Male	49	Incumbent	6.35	No
Qian Xu	External director	Male	55	Incumbent	9.52	No
Ying Hanjie	External director	Male	49	Incumbent	9.52	No
Wu Qin	Chairman of supervisory committee	Male	57	Incumbent	48	No
Lian Jing	Supervisor	Male	49	Incumbent	0	No
Yang Benhong	Supervisor	Female	52	Incumbent	38.2	No
Cao Cong	Supervisor	Male	34	Incumbent	35.73	No
Li Guangjie	Supervisor	Male	49	Incumbent	83.63	No
Xie Hong	CFO	Female	49	Incumbent	48	No
He Cheng	Deputy general manager	Male	52	Incumbent	48	No
Zhang Suyi	Deputy general manager	Male	47	Incumbent	48	No

Name	Position	Gender	Age	Incumbent / Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Zhang Ling	Non-executive director	Male	63	Former	4.76	No
Yang Jiaping	Supervisor	Male	35	Former	25.45	No
Total					697.72	

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

☐ Applicable ☒ N/A

5. Staff in the Company

5.1 Number, functions and educational backgrounds of the staff

Number of in-service staff of the parent company	1,042
Number of in-service staff of main subsidiaries	1,838
Total number of in-service staff	2,880
Total number of staff with remuneration in the period	2,880
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	840
Functions	
Function by category	Number of staff
Production staff	1,017
Sales staff	738
R&D staff	584
Financial staff	108
Administrative staff	433
Total	2,880
Educational backgrounds	
Educational background by category	Number of staff
Senior high school and below	616
Junior college	944
Bachelor	1,109
Master	204
Doctor	7
Total	2,880

5.2 Staff remuneration policy

In 2018, the Company established the distribution policy of "sharing benefits, paying for losses, classification and setting, and long-term policy effects", strengthened the digital assessment, linked individual performance with organizational performance, and highlighted the distribution according to performance. The Company further optimized the salary structure, implemented the post rating wage system and strengthened the performance management of all employees in 2018. According to the following principles:

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

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

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

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

5.3 Staff training plans

In 2018, based on the qualification standards and competency model, the Company adheres to the business orientation and performance orientation, and conducts hierarchical training for employees of different posts and ranks.

In terms of new employee training, first is the campus recruitment and new employee training, which is divided into four stages: general ability training, marketing training, business improvement training and career planning. Second is the training of new employees from social recruitment, which takes half a year as a cycle. The training contents mainly include enterprise culture, brewing skills and operation management.

In terms of backbone staff training, first is willing to study program, and it carries out professional upgrading training according to the needs of different professional staff. The course topics cover micro-course development, project management, budget management, supply chain management and so on, which helps employees consolidate professional knowledge and strengthen business skills. Second is the craftsman program. For special training for production and management reserve talents, it adapts to intelligent, mechanized and automated production reform.

In terms of middle-level cadre training, for newly promoted middle-level cadres, the Company organizes and carries out advanced management training of "road to excellence" to improve the ability of self-management, business management and team management; At the same time, it supports the middle and senior cadres to expand the pattern and refresh the vision through short-term abroad training and benchmarking learning.

In terms of professional talents training, in combination with the strategic needs of talent development and relevant policies of provinces and cities, the Company actively carries

out the work of staff title appraisal, skill appraisal, recommendation and assessment and so on.

5.4 Labor outsourcing

☐ Applicable ☒ N/A

Section IX Corporate Governance

1. Basic situation of corporate governance

Since it was listed, in accordance with *the Corporate Law, the Securities Law, The Listed Company Governance Standards* and other laws, administrative regulations and departmental rules and normative documents, the Company has constantly perfected corporate governance structure, standardized its operation, established the rules and system on the basis of the Company's articles of association whose main framework is the rules of procedure of the shareholders' general meeting, rules of procedure of the board of directors and rules of procedure of the board of supervisors, which is formed the management system whose main structure is the shareholders meeting, board of directors, board of supervisors and management. In 2018, the Company won the award for "the Ninth Tianma - The Best Board of Directors for Investor Relations of China Main Board Listed Companies", "the 12th China's Listed Company Value Selection -- Top 10 of China's Listed Companies on the Main Board, Top 10 Management Teams of China's Listed Companies on the Main Board", "2017 Golden Bull Most Valuable Investment Award, Enterprise Leader Award" and so on.

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

☐ Yes ☒ No

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

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

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

2.1 In the aspect of assets

Asset integrity. There are clear ownership and independency of the Company's assets invested by controlling shareholders. The Company has an independent and complete production, supply, sales system and auxiliary production system and supporting facilities.

The industrial property rights, trademarks and non-patented technology and other intangible assets are owned by the Company. There is no situation that the controlling shareholders occupy and transfer the assets of the company.

2.2. In the aspect of business

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

2.3 In the aspect of personnel

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

2.4 In the aspect of organization

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

2.5 In the aspect of finance

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

3. Horizontal competition

☐Applicable ☒N/A

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

4.1. Meetings of shareholders convened during the reporting period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Disclosure index
2017 Annual General Meeting of Shareholders	General Meeting of Shareholders	60.66%	2018-06-27	2018-06-28	“Luzhou Lao Jiao Co.,Ltd. 2017 Annual General Meeting Resolution Announcement” Announcement No:2018-20, (http://www.cninfo.com.cn/)

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

☐ Applicable ☒ N/A

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

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

Attendance of non-executive director in board meeting							
Non-executive director	Attendance due in the reporting period (times)	Attendance on site or video (times)	Attendance by telecommunication (times)	Attendance through a proxy (times)	Absence (times)	Absence for two consecutive times	Attendance (times)
Du Kunlun	10	6	4	0	0	No	1
Xu Guoxiang	10	6	4	0	0	No	1
Tan Lili	10	6	4	0	0	No	1
Liu Junhai	5	3	2	0	0	No	1
Zhang Ling	5	2	3	0	0	No	0

Explanation of absence of non-executive directors in meetings of the board for twice
N/A

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

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

☐ Yes ☒ No

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

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

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

☒ Yes ☐ No

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

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

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

The board of directors of the Company has four special committees including the Strategic Committee, the Remuneration and Appraisal Committee, the Nominations Committee and the Audit Committee. Each committee has a clear division of labor, clear responsibilities and effective operation. During the reporting period, the Strategic Committee held 5 meeting, the Audit Committee held 2 meetings, the Nominations Committee and the

Remuneration and Appraisal Committee held 1 meeting respectively. These meetings reviewed and made resolutions on the Company's external investment, audit, internal control, directors' qualifications and remuneration, and provided scientific and professional opinions for major decisions of the board of directors.

7. Performance of duties by the supervisory committee

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

☐ Yes ☒ No

The supervisory committee has no objection during the reporting period.

8. Evaluation and motivation mechanism for the senior management

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

9. Internal control

9.1. Significant internal control deficiencies found in the reporting period

☐ Yes ☒ No

9.2. Internal control self-assessment report

Disclosure date of the internal control self-assessment report	2019-04-26	
Disclosure index of the internal control self-assessment report	2018 Internal Control Self-assessment Report (http://www.cninfo.com.cn/)	
Ratio of the total assets of the appraised entitles to the consolidated total assets	90.00%	
Ratio of the operating revenues of the appraised entitles to the consolidated operating revenue	90.00%	
deficiencies identification standard		
Type	Financial report	Non-financial report
Qualitative standard	Significant deficiencies: (1) Correction of material errors in financial reports that have been announced (except retroactive adjustment of previous years due to changes in policies or other objective factors); (2)	Significant deficiencies: (1) violate national regulations and laws; (2) The Company suffer from lake of major decision-making procedures or unscientific procedures; if there is a decision-making misplay, it will result in significant deal failure (3)

	Material misstatement of current financial report which was unrecognized but found by the auditor; (3) Corrupt transaction of senior management; (4) Audit committee and internal audit department are not effective to the internal control supervision .	The substantial loss of managerial or technical staff; (4) Important business lacks system control or system failure, important economic business has internal control system guidance, but with no effective operation; (5) significant deficiencies of internal control cannot be rectified in time.
Quantitative standard	1. Significant deficiencies: Misstatement $\geq 5\%$ of total profits; Misstatement $\geq 1\%$ of total assets; Misstatement $\geq 5\%$ of total operating revenue; Misstatement $\geq 5\%$ of owner's equity 2. Material deficiencies: 3% of gross profits $\leq$ Misstatement $< 5\%$ of gross profits; 0.5% of total assets $\leq$ Misstatement $< 1\%$ of total assets; 3% of total operating revenue $\leq$ Misstatement $< 5\%$ of total operating revenue; 3% of owner's equity $\leq$ Misstatement $< 5\%$ of owner's equity. 3. General deficiencies: Misstatement $< 3\%$ of gross profits; Misstatement $< 0.5\%$ of total assets; Misstatement $< 3\%$ of total operating revenue; Misstatement $< 3\%$ of owner's equity.	1. Significant deficiencies: ratio of loss of net profits $\geq 5\%$. 2. Material deficiencies: $3\% \leq$ ratio of loss of net profits $< 5\%$. 3. General deficiencies: ratio of loss of net profits $< 3\%$
Number of financial-report significant deficiencies		0
Number of non-financial-report significant deficiencies		0
Number of important financial-report related deficiencies		0
Number of important Non-financial-report related deficiencies		0

10. Internal control auditor report

√ Applicable ☐ N/A

Deliberation opinion section in the internal control audit report	
The Company has maintained effective internal control of financial reports in accordance with the Basic Rules for Internal Control of Enterprises and relevant regulations.	
Disclosure of internal control audit report	Disclosed
Disclosure date of the internal control audit report	2019-04-26
Disclosure index of the internal control audit report	2018 Internal Control Auditor Report (http://www.cninfo.com.cn/)
Type of the audit's opinion	Standard without reserved opinion
Significant deficiencies found in the non-financial report	No

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

☐ Yes ☒ No

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

√ Yes ☐ No

Section X Information about Corporate Bond

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

No

Section XI Financial Report

1. Auditor's report

Type of audit report	Standard without reserved opinion
Signing date of auditor's report	2019-04-25
Name of Audit	Sichuan Huaxin (Group) CPA Firm
No. of auditor's report	Chuan Huaxin Audit [2019] No.22
Names of auditors	Feng Yuan, He Shoufu

Auditor's Report

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

Opinion

We have audited the financial statements of Luzhou Laojiao Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2018, consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended; and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the company as at 31 December 2018 and its operating results and cash flow for the year then ended.

Basis for opinion

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

Key audit matters

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

summarized as follows:

1.Key audit matters-Recognition of domestic liquor sales revenue	
Key audit matters	How our audit addressed the Key Audit Matter
In 2018, the Company's total operating revenue is CNY 13 billion, including CNY 12.8 billion of domestic liquor sales revenue, accounting for 98% of the total operating revenue. Considering the significant amount of the Company's domestic liquor sales revenue, we pay attention to it as a key audit matter.	Our procedures in relation to recognition of domestic liquor sales revenue included: 1. Understood, evaluated and tested the reasonableness and effectiveness of the internal control design related to the Company's revenue. Particular attention was paid to the appropriateness of specific conditions for recognition of revenue. 2. Compared the key indicators such as sales volume, revenue cost and gross profit rate of the Company in the current period with those in the previous period, so as to identify the rationality of changes in key indicators and reasons for changes. 3. The income of the top five customers totaled CNY 8.721 billion, accounting for 66.8% of the total business income. For the top five customers, we carried out the following audit procedures to verify the occurrence, completeness and accuracy of the revenue recognized by the management: (1) obtained the sales contract signed by the Company and the customer, carefully read the key terms of the contract, and understand the implementation of the contract; (2) Performed the confirmation procedure. We sent confirmation letters to verify the amount of sales revenue in the reporting period and the closing balance of accounts receivables or advance from customer during the reporting period. For local customers in Luzhou, we went to their office to carry out confirmation procedure and obtained the situation of purchase, sales and storage of Luzhou Laojiao brand liquor during the reporting period, so as to analyze and judge whether there are abnormal fluctuations in its inventory and its rationality; For customers outside Luzhou, we mailed confirmation letters and controlled the whole process of reply letter

	by ourselves. (3) Inquired the customer's business information and key personnel information, and checked whether they are related party of the Company. 4. For other customers, randomly checked sales contracts, customers' purchase orders, shipping documents, transport documents, accounting vouchers, payment receipts, customer signature records and other materials to verify the occurrence, completeness and accuracy of the revenue recognized by the management. 5. Selected the confirmation voucher of large amount of sales before and after the balance sheet date, paid attention to the date of sales invoice and customer receipt, and paid attention to whether there is a large amount of return after the period, so as to verify whether the corresponding revenue is included in the appropriate accounting period. The evidence obtained from the above audit procedures can support the Company's management's recognition of domestic liquor sales revenue.
2.Key audit matters-Existence of bank deposits	
Key audit matters	How our audit addressed the Key Audit Matter
As of December 31, 2018, the bank balance of the Company is CNY 9.365 billion, accounting for 41.43% of the total assets. Bank deposits are high-risk assets. Therefore, we pay attention to the existence of bank deposits as a key audit matter.	Our procedures in relation to existence of bank deposits included: 1. Understood and tested the design and implementation of key internal controls related to the funds management cycle to confirm the effectiveness of relevant internal controls. 2. Accompanied by relevant personnel of the Company, auditors went to the bank by themselves where the Company opens a basic bank account to print the account opening list of the Company and check the account opening information individually. 3. Checked the carrying amount of all bank accounts with the original amount of bank statements and certificates of deposit, and obtained all copies. 4. Based on the results of checking the amount

	of bank statements, obtained the balance reconciliation of all bank accounts compiled by the Company, and check all the outstanding items, whether there are any important overdue items that are not booked in time. 5. Implemented the confirmation procedure for the Company's bank deposits, in which the local deposit accounts in Luzhou were confirmed by auditors and the Company's cashier in the bank; The confirmation letters of deposit accounts outside Luzhou were sent out by mailing after auditors checked the address and the receiver through telephone, network and other public information, and we controlled the whole reply letter process by ourselves. 6. Obtained and reviewed time deposits or structured deposit agreements, identified the types of relevant bank deposits, analyzed the principal and interest recovery risks, and judged the adequacy of the disclosure. 7. Inquired the management and relevant personnel about the purpose of all bank accounts on the Company's books and analyzed whether there are abnormal use or bank accounts opened for unknown reasons. The evidence obtained from the above audit procedures can support the Company's management's assertion of the existence of bank deposits.
3.Key audit matters-Sufficiency of provision for bad debts of receivable bank deposits involving contract disputes	
Key audit matters	How our audit addressed the Key Audit Matter

As of December 31, 2018, the Company's receivable bank deposits involving contract disputes is CNY 307 million. The management made a full analysis and judgment on the bad debt risk of the receivables on the balance sheet date, taking into account the progress of the judicial procedures related to receivable bank deposits involving contract disputes and the key information currently available from lawyers. The key information include: progress of relevant case investigation and asset preservation work conducted by the public security authorities, progress of relevant civil proceedings and professional legal advice issued by relevant professional lawyers. According to analysis and judgment, the Company has maintained in recognizing CNY 200 million of bad debt provision in the consolidated balance sheet. As the bad debt provision amount of bank deposits involving contract disputes is significant, and it is a significant judgment to analyze the bad debt risk of the receivables and determine the bad debt provision amount, we pay attention to it as a key audit matter.	Our procedures in relation to sufficiency of provision for bad debts of receivable bank deposits involving contract disputes included: 1. We communicate with the management to understand the basis for its accounting judgment and estimation on this matter. 2. Obtained legal opinions on <i>Luzhou Laojiao Co.,Ltd.'s provision of bad debts for abnormal deposits in Changsha, Nanyang and another place</i> issued by relevant law firms. 3. Telephone interview with the lawyer who issues the above legal opinions, to understand the progress of the case and the basis for making relevant legal opinions, and to evaluate the appropriateness of the relevant estimates made by the management. The evidence obtained from the above audit procedures can support the Company's management's estimation of the provision for bad debts of receivable bank deposits involving contract disputes.
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Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(4) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

2. Financial statements

Prepared by: Luzhou Laojiao Co., Ltd.

Consolidated balance sheet As at December 31, 2018

Monetary Unit: CNY

Item	Balance as at 31 December 2018	Balance as at 31 December 2017
Current assets:		
Cash and cash equivalents	9,367,386,627.68	8,449,622,154.91
Settlement reserves		
Lending funds		
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes and accounts receivables	2,398,660,205.02	2,500,822,714.85
Including: Notes receivables	2,388,326,476.15	2,492,813,857.65
Accounts receivables	10,333,728.87	8,008,857.20

Item	Balance as at 31 December 2018	Balance as at 31 December 2017
Prepayment	137,243,573.66	197,835,516.46
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve		
Other receivables	166,525,010.16	235,725,944.12
Including: Interests receivable	29,970,944.44	14,546,875.69
Dividends receivable		
Buying back the sale of financial assets		
Inventories	3,230,415,749.95	2,811,866,523.26
Assets held for sale		
Non-current assets due within one year		
Other current assets	194,237,237.02	72,856,419.60
Total current assets	15,494,468,403.49	14,268,729,273.20
Non-current assets:		
Disbursement of loans and advances		
Available-for-sale financial assets	275,819,448.46	322,574,457.89
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	2,091,103,348.61	1,824,893,972.85
Investment property		
Fixed assets	1,029,666,915.47	1,129,894,772.60
Construction in progress	3,000,489,249.86	1,567,263,995.95
Productive biological assets		
Oil and gas assets		
Intangible assets	231,967,372.88	231,039,145.33
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	436,434,961.24	411,361,142.33
Other non-current assets	44,979,896.41	4,314.05
Total non-current assets	7,110,461,192.93	5,487,031,801.00
Total assets	22,604,929,596.42	19,755,761,074.20
Current liabilities:		
Short-term loans		
Borrowings from the central bank		
Deposits from customers and inter-bank		
Loans from other banks		
Financial liabilities measured at fair value through current profit or loss		

Item	Balance as at 31 December 2018	Balance as at 31 December 2017
Derivative financial liabilities		
Notes and accounts payable	1,292,050,954.06	740,700,050.76
Advance from customer	1,604,425,189.96	1,957,404,019.89
Financial assets sold for repurchase		
Handling charges and commissions payable		
Employee benefits payable	268,092,193.50	137,700,533.18
Taxes payable	1,648,028,076.07	988,228,028.52
Other payable	602,887,024.88	543,192,435.55
Including: Interests payable		
Dividends payable		4,500,000.00
Reinsurance accounts payable		
Insurance contract reserves		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	5,415,483,438.47	4,367,225,067.90
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		7,929.00
Accrued liabilities		
Deferred income	20,981,155.00	19,992,728.85
Deferred tax liabilities	44,252,383.96	55,941,136.35
Other non-current liabilities		
Total non-current liabilities	65,233,538.96	75,941,794.20
Total liabilities	5,480,716,977.43	4,443,166,862.10
Shareholders' equity		
Share capital	1,464,752,476.00	1,464,752,476.00
Other equity instruments		
Including: preference shares		
Perpetual bonds		
Capital reserves	3,716,675,022.48	3,543,519,701.63
Less: treasury stock		
Other comprehensive income	136,592,276.64	171,227,292.19
Special reserves		

Item	Balance as at 31 December 2018	Balance as at 31 December 2017
Surplus reserves	1,464,752,476.00	1,464,752,476.00
General risk reserve		
Undistributed profits	10,181,899,224.84	8,527,196,810.86
Total equity attributable to owners of the parent company	16,964,671,475.96	15,171,448,756.68
Non-controlling interests	159,541,143.03	141,145,455.42
Total owners' equity	17,124,212,618.99	15,312,594,212.10
Total liabilities and owners' equity	22,604,929,596.42	19,755,761,074.20

Legal representative: Liu Miao

Person in charge of accounting affairs: Xie Hong

Person in charge of accounting department: Yan Li

Balance sheet of parent company As at December 31, 2018

Monetary Unit: CNY

Item	Balance as at 31 December 2018	Balance as at 31 December 2017
Current assets:		
Cash and cash equivalents	6,189,473,157.83	3,631,052,399.90
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes and accounts receivables	67,698.43	86,250.43
Including: Notes receivables		
Accounts receivables	67,698.43	86,250.43
Prepayment	7,212,512.57	1,992,501.42
Other receivables	4,657,727,046.02	5,615,683,624.57
Including: Interests receivable	29,970,944.44	11,167,975.69
Dividends receivable		
Inventories	383,404.53	418,804.08
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,761,708.33	8,492,739.48
Total current assets	10,856,625,527.71	9,257,726,319.88
Non-current assets:		
Available-for-sale financial assets	275,490,526.83	322,245,536.26
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,494,914,376.71	5,219,100,200.96
Investment property		
Fixed assets	701,870,689.02	792,161,331.71
Construction in progress	511,528,278.96	388,025,765.87

Item	Balance as at 31 December	Balance as at 31 December
	2018	2017
Productive biological assets		
Oil and gas assets		
Intangible assets	224,039,846.61	222,713,898.06
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	71,119,598.96	65,501,243.66
Other non-current assets		
Total non-current assets	7,278,963,317.09	7,009,747,976.52
Total assets	18,135,588,844.80	16,267,474,296.40
Current liabilities:		
Short-term loans		
Financial liabilities measured at fair value through current profit or loss		
Derivative financial liabilities		
Notes and accounts payables	38,984,611.48	16,277,092.39
Advance from customer	12,229,153.62	8,355,217.23
Employee benefits payable	67,383,911.98	40,076,625.13
Taxes payable	115,424,262.03	82,923,469.40
Other payables	1,788,068,491.88	856,791,713.36
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	2,022,090,430.99	1,004,424,117.51
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		7,929.00
Accrued liabilities		
Deferred income	12,593,640.12	13,483,984.61
Deferred tax liabilities	44,252,383.96	55,941,136.35
Other non-current liabilities		
Total non-current liabilities	56,846,024.08	69,433,049.96
Total liabilities	2,078,936,455.07	1,073,857,167.47
Shareholders' equity		

Item	Balance as at 31 December	Balance as at 31 December
	2018	2017
Share capital	1,464,752,476.00	1,464,752,476.00
Other equity instruments		
Including: preference shares		
Perpetual bonds		
Capital reserves	3,706,816,950.12	3,535,397,623.93
Less: treasury stock		
Other comprehensive income	134,386,305.26	169,812,111.20
Special reserves		
Surplus reserves	1,464,752,476.00	1,464,752,476.00
Undistributed profits	9,285,944,182.35	8,558,902,441.80
Total owners' equity	16,056,652,389.73	15,193,617,128.93
Total liabilities and owners' equity	18,135,588,844.80	16,267,474,296.40

Consolidated income statement

Monetary Unit: CNY

Item	Year 2018	Year 2017
1. Total operating revenue	13,055,465,761.55	10,394,867,493.46
Including: Operating revenue	13,055,465,761.55	10,394,867,493.46
Interest income		
Earned premium		
Fee and commission income		
2. Total operating costs	8,500,077,705.30	7,127,810,215.67
Including: Cost of sales	2,934,001,858.91	2,917,815,056.52
Interest expense		
Handling charges and commission expenses		
Refunded premiums		
Net payments for insurance claims		
Net provision for insurance contracts		
Bond insurance expense		
Reinsurance Expenses		
Taxes and surcharges	1,605,835,052.97	1,335,106,291.77
Selling and distribution expenses	3,392,721,432.33	2,411,884,522.31
General and administrative expenses	722,448,972.80	518,463,705.99
Research and Development expenses	62,172,210.70	50,990,507.33
Financial expenses	-215,066,482.79	-106,898,022.70
Including: Interest expenses	64,698,037.12	34,356,638.97
Interest income	280,805,447.66	145,682,879.58
Impairment losses	-2,035,339.62	448,154.45
Plus: Other income	24,092,326.81	27,144,859.57
Investment income ("-" for losses)	97,993,563.50	138,316,397.04
Including: income from investment in associates	88,881,022.50	132,404,279.33

Item	Year 2018	Year 2017
and joint ventures		
Gains from the changes in fair values("-" for losses)		
Foreign exchange gains ("- for losses)		
Gains from disposal of assets("- for losses)	-492,389.13	-4,256,543.78
3. Operating profits ("- for losses)	4,676,981,557.43	3,428,261,990.62
Plus: non-operating income	31,232,477.21	25,836,921.37
Less: non-operating expenses	49,528,449.09	20,380,876.59
4. Total profits before tax ("- for total losses)	4,658,685,585.55	3,433,718,035.40
Less: income tax expenses	1,148,219,697.12	831,693,750.31
5. Net profit ("- for net loss)	3,510,465,888.43	2,602,024,285.09
5.1 Net profit from continuing operation ("- for losses)	3,510,465,888.43	2,602,024,285.09
5.2 Net profit from discontinued operation ("- for losses)		
Attributable to owners of the parent company	3,485,643,008.98	2,557,944,598.97
Attributable to non-controlling interests	24,822,879.45	44,079,686.12
6. Net of tax from other comprehensive income	-33,987,321.62	-5,121,775.76
Net of tax from other comprehensive income to the owner of the parent company	-34,635,015.55	-5,557,598.19
6.1 Other comprehensive income cannot reclassified into the profit and loss:		
1) Remeasure the variation of net indebtedness or net asset of defined benefit plans		
2) Share in other comprehensive income that cannot be classified into profit and loss under equity method		
6.2 Other comprehensive income that will be reclassified into the profit and loss	-34,635,015.55	-5,557,598.19
1) Share in other comprehensive income that will be classified into profit and loss under equity method	-359,548.90	-6,023,130.81
2) Changes in fair value of available-for-sale financial assets	-35,066,257.04	-67,139.23
3) Held-to-maturity investment reclassified into available-for sale financial assets		
4) Effective part of cash-flow hedge profit and loss		
5) Balance arising from the translation of foreign currency financial statements	790,790.39	532,671.85
6) Others		
Net of tax from other comprehensive income to non-controlling interests	647,693.93	435,822.43
7. Total comprehensive income	3,476,478,566.81	2,596,902,509.33
Total comprehensive income attributable to owners of the parent company	3,451,007,993.43	2,552,387,000.78
Total comprehensive income attributable to non-controlling interests	25,470,573.38	44,515,508.55
8. Earnings per share		
(1) Basic earnings per share	2.380	1.798
(2) Diluted earnings per share	2.380	1.798

Legal representative: Liu Miao

Person in charge of accounting affairs: Xie Hong

Person in charge of accounting department: Yan Li

Income statement of parent company

Monetary Unit: CNY

Item	Year 2018	Year 2017
1. Operating revenue	3,361,304,739.27	2,855,282,389.57
Less: Cost of sales	2,268,904,672.24	2,090,027,989.80
Taxes and surcharges	37,365,858.48	24,781,271.41
Selling and distribution expenses		
General and administrative expenses	581,921,594.90	433,118,239.53
Research and Development expenses	21,001,230.12	10,075,920.70
Financial expenses	-129,471,683.37	-80,000,670.62
Including: Interest expenses	7,971,444.41	
Interest income	138,532,722.84	83,033,115.75
Impairment losses	-2,965,798.28	686,324.28
Plus: Other income	17,701,808.96	15,125,736.71
Investment income ("-" for losses)	2,113,902,599.28	1,970,639,408.69
Including: income from investment in associates and joint ventures	88,881,022.50	132,404,279.33
Gains from the changes in fair values("-" for losses)		
Gains from disposal of assets("-" for losses)	-492,389.13	-1,775,397.64
2. Operating profits ("-" for losses)	2,715,660,884.29	2,360,583,062.23
Plus: non-operating income	21,778,771.14	11,315,507.68
Less: non-operating expenses	39,292,792.61	14,640,415.00
3. Total profits before tax ("-" for total losses)	2,698,146,862.82	2,357,258,154.91
Less: income tax expenses	140,164,527.27	104,757,613.28
4. Net profit ("-" for net loss)	2,557,982,335.55	2,252,500,541.63
4.1 Net profit from continuing operation ("-" for losses)	2,557,982,335.55	2,252,500,541.63
4.2 Net profit from discontinued operation ("-" for losses)		
5. Net of tax from other comprehensive income	-35,425,805.94	-6,090,270.04
5.1 Other comprehensive income cannot reclassified into the profit and loss:		
1) Remeasure the variation of net indebtedness or net asset of defined benefit plans		
2) Share in other comprehensive income that cannot be classified into profit and loss under equity method		
5.2 Other comprehensive income that will be reclassified into the profit and loss	-35,425,805.94	-6,090,270.04
1) Share in other comprehensive income that will be classified into profit and loss under equity method	-359,548.90	-6,023,130.81
2) Changes in fair value of available-for-sale financial assets	-35,066,257.04	-67,139.23
3) Held-to-maturity investment reclassified into available-for sale financial assets		
4) Effective part of cash-flow hedge profit and loss		
5) Balance arising from the translation of foreign currency financial statements		
6) Others		

Item	Year 2018	Year 2017
6. Total comprehensive income	2,522,556,529.61	2,246,410,271.59
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Consolidated statement of cash flows

Monetary Unit: CNY

Item	Year 2018	Year 2017
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	14,828,436,081.11	12,421,322,558.16
Net increase in customer bank deposits and placement from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Net increase for disposal of financial assets measured at their fair values and of which the changes are recorded into the current profits and losses		
Cash received from interest, handling charges and commissions		
Net increase in placements from other financial institutions		
Net capital increase in repurchase business		
Refunds of taxes and surcharges	5,786,338.67	
Cash received from other operating activities	482,593,561.94	254,519,252.06
Subtotal of cash inflows from operating activities	15,316,815,981.72	12,675,841,810.22
Cash paid for goods purchased and services received	3,826,697,226.55	3,779,045,426.70
Net increase in loans and advances to customers		
Net increase in deposits in central bank and other banks and financial institutions		
Cash paid for original insurance contract claims		
Cash paid for interests, handling charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	569,194,842.30	403,853,839.86
Cash paid for taxes and surcharges	3,545,440,004.11	2,544,604,491.76
Cash paid for other operating activities	3,077,567,890.52	2,244,603,990.01
Subtotal of cash outflows from operating activities	11,018,899,963.48	8,972,107,748.33

Item	Year 2018	Year 2017
Net cash flows from operating activities	4,297,916,018.24	3,703,734,061.89
2. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments	19,480,124.47	19,553,674.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	222,840.26	409,427.97
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	19,702,964.73	19,963,102.88
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	1,468,482,777.22	1,415,996,563.84
Cash paid for investments	16,636,159.43	
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		10,730,800.00
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	1,485,118,936.65	1,426,727,363.84
Net cash flows from investing activities	-1,465,415,971.92	-1,406,764,260.96
3. Cash flows from financing activities		
Cash received from investors	4,482,764.00	2,957,910,377.36
Including: cash received by subsidiaries from investments by minority shareholders		
Cash received from borrowings		
Cash received from bonds issue		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	4,482,764.00	2,957,910,377.36
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	1,911,545,067.51	1,387,430,813.08
Including: dividends and profits paid to minority shareholders by subsidiaries	216,855.11	
Cash paid for other financing activities	9,604,800.00	244,125,003.53
Subtotal of cash outflows from financing activities	1,921,149,867.51	1,631,555,816.61
Net cash flows from financing activities	-1,916,667,103.51	1,326,354,560.75
4. Effect of fluctuation in exchange rate on cash and cash equivalents	731,529.96	-150,238.51
5. Net increase in cash and cash equivalents	916,564,472.77	3,623,174,123.17
Plus: balance of cash and cash equivalents at the beginning of the period	8,449,422,154.91	4,826,248,031.74
6. Balance of cash and cash equivalents at the end of the period	9,365,986,627.68	8,449,422,154.91

Cash flow statements of parent company

Monetary Unit: CNY

Item	Year 2018	Year 2017
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	3,872,690,184.06	3,297,762,941.75
Refunds of taxes and surcharges		
Cash received from other operating activities	285,339,299.49	147,608,021.28
Subtotal of cash inflows from operating activities	4,158,029,483.55	3,445,370,963.03
Cash paid for goods purchased and services received	2,706,797,292.39	2,520,043,439.60
Cash paid to and on behalf of employees	253,037,938.15	174,203,813.30
Cash paid for taxes and surcharges	304,535,780.73	74,139,478.90
Cash paid for other operating activities	179,745,316.75	188,997,162.43
Subtotal of cash outflows from operating activities	3,444,116,328.02	2,957,383,894.23
Net cash flows from operating activities	713,913,155.53	487,987,068.80
2. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments	2,035,389,160.25	1,858,764,413.56
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	92,898.13	245,811.04
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		3,173,258.16
Subtotal of cash inflows from investing activities	2,035,482,058.38	1,862,183,482.76
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	150,107,386.59	446,683,321.51
Cash paid for investments	26,240,959.43	2,980,558,607.72
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	176,348,346.02	3,427,241,929.23
Net cash flows from investing activities	1,859,133,712.36	-1,565,058,446.47
3. Cash flows from financing activities		
Cash received from investors		2,955,410,377.36
Cash received from loans		
Cash received from bonds issue		
Cash received from other financing activities	1,830,167,429.42	560,244,910.34
Subtotal of cash inflows from financing activities	1,830,167,429.42	3,515,655,287.70
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	1,844,793,539.38	1,346,162,376.96
Cash paid for other financing activities		
Subtotal of cash outflows from financing activities	1,844,793,539.38	1,346,162,376.96
Net cash flows from financing activities	-14,626,109.96	2,169,492,910.74

Item	Year 2018	Year 2017
4. Effect of fluctuation in exchange rate on cash and cash equivalents		-69,685.00
5. Net increase in cash and cash equivalents	2,558,420,757.93	1,092,351,848.07
Plus: balance of cash and cash equivalents at the beginning of the period	3,631,052,399.90	2,538,700,551.83
6. Balance of cash and cash equivalents at the end of the period	6,189,473,157.83	3,631,052,399.90

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2018

Monetary Unit: CNY

Item	Year 2018												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferr ed stock	Perpetual bond	Other									
1. Balance as at 31 December of last year	1,464,752,476.00				3,543,519,701.63		171,227,292.19		1,464,752,476.00		8,527,196,810.86	141,145,455.42	15,312,594,212.10
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combinations under common control													
Others													
2. Balance as at 1 January of the current year	1,464,752,476.00				3,543,519,701.63		171,227,292.19		1,464,752,476.00		8,527,196,810.86	141,145,455.42	15,312,594,212.10
3.Increases/decreases in the					173,155,320.85		-34,635,015.55				1,654,702,413.98	18,395,687.61	1,811,618,406.89

Item	Year 2018												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less:	Other	Special reserve	Surplus reserve	General	Undistributed profit		
		Preferr ed stock	Perpetual bond	Other		Treasur y stock	Comprehensiv e Income			risk reserve			
current year (“-” for decreases)													
(1) Total comprehensive income							-34,635,015.55				3,485,643,008.98	25,470,573.38	3,476,478,566.81
(2) Capital contributed or reduced by owners												4,237,764.00	4,237,764.00
Capital contributions by owners												4,237,764.00	4,237,764.00
Capital contributions by other equity instruments holders													
Amounts of share-based payments recognized in owners' equity													
Others													
(3) Profit distribution											-1,830,940,595.00	28,144.89	-1,830,912,450.11

Item	Year 2018												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less:	Other	Special reserve	Surplus reserve	General	Undistributed profit		
		Preferr ed stock	Perpetual bond	Other		Treasur y stock	Comprehensiv e Income			risk reserve			
Withdrawal of surplus reserves													
Withdrawal of general risk reserve													
Profit distributed to owners (or shareholders)											-1,830,940,595.00	28,144.89	-1,830,912,450.11
Others													
(4) Internal carry-forward of owners' equity													
Conversion of capital reserves into paid-in capital													
Conversion of surplus reserves into paid-in capital													
Surplus reserves offsetting losses													
Carry-forward of retained earnings from changes in													

Item	Year 2018												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferr ed stock	Perpetual bond	Other									
defined benefit plans													
Others													
(5) Special reserves													
Withdrawal for the period													
Use for the period													
(6) Others					173,155,320.85							-11,340,794.66	161,814,526.19
4. Balance as at 31 December of the current year	1,464,752,476.00				3,716,675,022.48		136,592,276.64		1,464,752,476.00		10,181,899,224.84	159,541,143.03	17,124,212,618.99

For the year ended 31 December 2017

Monetary Unit: CNY

Item	Year 2017												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Perpetual bond	Other									
1. Balance as at 31 December of last year	1,402,252,476.00				650,609,324.27		176,784,890.38		1,402,252,476.00		7,377,914,588.85	94,129,946.87	11,103,943,702.37
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combinations under common control													
Others													
2. Balance as at January 1 of the current year	1,402,252,476.00				650,609,324.27		176,784,890.38		1,402,252,476.00		7,377,914,588.85	94,129,946.87	11,103,943,702.37
3.Increases/decreases in the	62,500,000.00				2,892,910,377.36		-5,557,598.19		62,500,000.00		1,149,282,222.01	47,015,508.55	4,208,650,509.73

Item	Year 2017												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Perpetual bond	Other									
current year ("for decreases)													
(1) Total comprehensive income							-5,557,598.19				2,557,944,598.97	44,515,508.55	2,596,902,509.33
(2) Capital contributed or reduced by owners	62,500,000.00				2,892,910,377.36							2,500,000.00	2,957,910,377.36
Capital contributions by owners	62,500,000.00				2,892,910,377.36							2,500,000.00	2,957,910,377.36
Capital contributions by other equity instruments holders													
Amounts of share-based payments recognized in owners' equity													
Others													
(3) Profit distribution									62,500,000.00		-1,408,662,376.96		-1,346,162,376.96

Item	Year 2017												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Perpetual bond	Other									
Withdrawal of surplus reserves									62,500,000.00		-62,500,000.00		
Withdrawal of general risk reserve													
Profit distributed to owners (or shareholders)											-1,346,162,376.96		-1,346,162,376.96
Others													
(4) Internal carry-forward of owners' equity													
Conversion of capital reserves into paid-in capital													
Conversion of surplus reserves into paid-in capital													
Surplus reserves offsetting losses													
Carry-forward of retained earnings from changes in													

Item	Year 2017												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Perpetual bond	Other									
defined benefit plans													
Others													
(5) Special reserves													
Withdrawal for the period													
Use for the period													
(6) Others													
4. Balance as at 31 December of the current year	1,464,752,476.00				3,543,519,701.63		171,227,292.19		1,464,752,476.00		8,527,196,810.86	141,145,455.42	15,312,594,212.10

Statement of changes in shareholders' equity of parent company
For the year ended 31 December 2018

Monetary Unit: CNY

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
1. Balance as at 31 December of last year	1,464,752,476.00				3,535,397,623.93		169,812,111.20		1,464,752,476.00	8,558,902,441.80	15,193,617,128.93
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
2. Balance as at January 1 of the current year	1,464,752,476.00				3,535,397,623.93		169,812,111.20		1,464,752,476.00	8,558,902,441.80	15,193,617,128.93
3.Increases/decreases in the current year ("-" for decreases)					171,419,326.19		-35,425,805.94			727,041,740.55	863,035,260.80
(1) Other comprehensive income							-35,425,805.94			2,557,982,335.55	2,522,556,529.61
(2)Capital contributed or reduced by owners											
Capital contributions by owners											
Capital contributions by other equity instruments holders											

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
Amounts of share-based payments recognized in owners' equity											
Others											
(3) Profit distribution										-1,830,940,595.00	-1,830,940,595.00
Withdrawal of surplus reserves											
Profit distributed to owners (or shareholders)										-1,830,940,595.00	-1,830,940,595.00
Others											
(4) Internal carry-forward of owners' equity											
Conversion of capital reserves into paid-in capital											
Conversion of surplus reserves into paid-in capital											
Surplus reserves offsetting losses											
Carry-forward of retained earnings from changes in defined benefit plans											
Others											
(5) Special reserves											

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
Withdrawal for the period											
Use for the period											
(6) Others					171,419,326.19						171,419,326.19
4. Balance as at 31 December of the current year	1,464,752,476.00				3,706,816,950.12		134,386,305.26		1,464,752,476.00	9,285,944,182.35	16,056,652,389.73

For the year ended 31 December 2017

Monetary Unit: CNY

Item	Year 2017										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
1. Balance as at 31 December of last year	1,402,252,476.00				653,218,046.57		175,902,381.24		1,402,252,476.00	7,715,064,277.13	11,348,689,656.94
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
2. Balance as at January 1 of the current year	1,402,252,476.00				653,218,046.57		175,902,381.24		1,402,252,476.00	7,715,064,277.13	11,348,689,656.94

Item	Year 2017										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
3.Increases/decreases in the current year ("-" for decreases)	62,500,000.00				2,882,179,577.36		-6,090,270.04		62,500,000.00	843,838,164.67	3,844,927,471.99
(1) Other comprehensive income							-6,090,270.04			2,252,500,541.63	2,246,410,271.59
(2)Capital contributed or reduced by owners	62,500,000.00				2,882,179,577.36						2,944,679,577.36
Capital contributions by owners	62,500,000.00				2,882,179,577.36						2,944,679,577.36
Capital contributions by other equity instruments holders											
Amounts of share-based payments recognized in owners' equity											
Others											
(3)Profit distribution									62,500,000.00	-1,408,662,376.96	-1,346,162,376.96
Withdrawal of surplus reserves									62,500,000.00	-62,500,000.00	
Profit distributed to owners (or shareholders)										-1,346,162,376.96	-1,346,162,376.96
Others											
(4) Internal carry-forward of owners' equity											
Conversion of capital reserves into paid-in											

Item	Year 2017										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensiv e Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
capital											
Conversion of surplus reserves into paid-in capital											
Surplus reserves offsetting losses											
Carry-forward of retained earnings from changes in defined benefit plans											
Others											
(5) Special reserves											
Withdrawal for the period											
Use for the period											
(6) Others											
4. Balance as at 31 December of the current year	1,464,752,476.00				3,535,397,623.93		169,812,111.20		1,464,752,476.00	8,558,902,441.80	15,193,617,128.93

3. Company Profile

3.1 Company Overview

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Business nature of the Company and main business activity

Industry of the Company is food and beverage manufacturing industry.

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

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

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

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

3.5 Approval and submission of the financial report and its date

The financial report is approved and submitted by the board of directors of the Company on 25 April 2019.

3.6 Consolidated financial statement scope and their changes

(1) The 24 subsidiaries included in the consolidated financial statements for the current period are listed as follows:

Name of subsidiary	Abbreviation	Type of subsidiary	Shareholding proportion(%)	Voting rights (%)
Luzhou Laojiao Brewing Co., Ltd.	Brewing company	A wholly-owned subsidiary	100.00	100.00

Name of subsidiary	Abbreviation	Type of subsidiary	Shareholding proportion(%)	Voting rights (%)
Luzhou Boda Brewing Co., Ltd.	Boda brewing	A wholly-owned subsidiary of Brewing company	100.00	100.00
Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.	Red sorghum company	A controlling subsidiary of Brewing company	60.00	60.00
Sales Company of Luzhou Laojiao Co., Ltd.	Sales company	A wholly-owned subsidiary	100.00	100.00
Luzhou Laojiao Nostalgic Liquor Marketing Co., Ltd.	Nostalgic company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Laojiao Custom Liquor Co., Ltd. Note1	Custom liquor company	A controlling subsidiary of Sales company	15.00	15.00
Luzhou Laojiao Selected Supply Chain Management Co., Ltd.	Selected company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Dingli Liquor Industry Co., Ltd.	Dingli company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Dingyi Liquor Industry Sales Co., Ltd.	Dingyi company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Dinghao Liquor Industry Sales Co., Ltd.	Dinghao company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Laojiao Import and Export trade Co., Ltd.	Import and export company	A wholly-owned subsidiary of Sales company	100.00	100.00
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	Boda marketing	A controlling subsidiary of Sales company	75.00	75.00
Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.	Bosheng Hengxiang	A wholly-owned subsidiary of Boda marketing	75.00	75.00
Luzhou Laojiao Guibin Service Co.,Ltd. Note2	Guibin company	A controlling subsidiary of Boda marketing	95.00	95.00
Luzhou Laojiao fruit wine industry Co., Ltd. Note3	Fruit wine industry	A controlling subsidiary of Sales company	41.00	41.00
Mingjiang Co., Ltd. Note4	Mingjiang company	A controlling subsidiary of Sales company	54.00	54.00
Luzhou Pinchuang Technology Co., Ltd.	Pinchuang company	A controlling subsidiary	95.00	95.00
Luzhou Laojiao Tourism Culture Co., Ltd.	Tourism culture	A wholly-owned subsidiary	100.00	100.00
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	Hong Kong company	A controlling subsidiary	55.00	55.00
Luzhou Laojiao Electronic Commerce Co., Ltd. Note5	Electronic commerce	A controlling subsidiary	90.00	90.00
Luzhou Laojiao Baitiao Liquor	Baitiao liquor industry	A controlling subsidiary of	35.00	35.00

Name of subsidiary	Abbreviation	Type of subsidiary	Shareholding proportion(%)	Voting rights (%)
Industry Co., Ltd. Note6		Electronic commerce		
Luzhou Baonuo Biotechnology Co., Ltd.	Baonuo biotechnology	A wholly-owned subsidiary	100.00	100.00
Luzhou Laojiao Health Liquor Industry Co.,Ltd.	Health Liquor Industry	A wholly-owned subsidiary	100.00	100.00
Luzhou Laojiao Health Sales Co., Ltd.	Health sales	A wholly-owned subsidiary of Health Liquor Industry	100.00	100.00

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

Note 2: Guibin company is a controlling subsidiary of Boda Marketing. The Company has decided to cancel Guibin company due to the increasingly prominent limitations of the special circulation channel model of single product. Guibin company has obtained the notice of approval of cancellation registration on 12 March 2018.

Note 3: 1. On 12 September 2017, the 21st meeting of the eighth board of directors reviewed and approved the "Proposal about establishment of Luzhou Laojiao fruit wine industry Co., Ltd. invested by subsidiary". The joint investment establishment of Luzhou Laojiao fruit wine industry Co., Ltd. was about to be implemented by Sales Company, a wholly owned subsidiary of the Company, and Sichuan Meihe wine Co., Ltd. and Luzhou Juhe wine development Co., Ltd.. In January 2018, the fruit wine industry was registered and established with a registered capital of CNY 50 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed CNY 20.5 million of investment and held 41% of the shares. Although the shareholding ratio of the Company is less than 51%, among the five members of the board of directors, the Company has sent three members, and the chairman of the board (legal representative) is the director sent by the Company. The Company has the actual control over the company, so it is included in the scope of consolidation.

Note 4: 2. On 12 September 2017, the 21st meeting of the eighth board of directors of the Company reviewed and approved the "Proposal on the establishment of Mingjiang Co., Ltd. By subsidiary investment", and Sales Company, a wholly-owned subsidiary of the Company, planned to establish Mingjiang company in the United States with Luzhou Jiutai Liquor Sales Co., Ltd.. In January 2018, Mingjiang company was registered and established with a registered capital of USD 6 million. Sales Company, a wholly-owned subsidiary of the Company, subscribed USD 3.24 million and held 54% of the shares. In addition, among the five members of the board of directors, the Company has sent three people to have actual control over the company, so it is included in the scope of consolidation.

Note 5: On 29 May 2018, the 28st meeting of the eighth board of directors of the Company reviewed and approved the "Proposal on partial equity acquisition of Luzhou Laojiao Electronic Commerce Co., Ltd.". The Company decided to use self-financed fund to purchase the subscription right of minority shareholders of Electronic commerce based on evaluated price. By December 31, 2018, the part of the purchase has been completed.

Note 6: Although the Company holds less than 51% of the equity in Baitiao liquor industry, among the five members of the board of directors, the Company has sent three people and the Company has actual control over Baitiao liquor industry, so it is included in the scope of consolidation.

Details of the subsidiaries incorporated into the consolidated financial statements show on “7. Interests in subsidiaries”

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

Name	Reason
Luzhou Laojiao Fruit Wine Industry Co., Ltd.	Establishment
Mingjiang Co., Ltd.	Establishment

(3) Liquidation and cancellation for subsidiaries in this period

Name	Reason
Luzhou Laojiao Guibin Service Co., Ltd.	Liquidation and cancellation

Details of changes in the scope of consolidation show on “6. Changes in consolidated scope”.

4. Basis of preparation of financial statements

4.1. Basis of preparation of financial statements

The Company has prepared its financial statements on a going concern basis, and the preparation is based on actual transactions and events in compliance with Accounting Standards for Business Enterprises and relevant guidance and explanation (the following called the ASBE) issued by Ministry of Finance, and Rules on Company Information Disclosure and Preparation of Publicly Issued Securities No.15- General Rules on Financial Reporting Rules (2014 Revision) issued by CSRC.

4.2. Going concern

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

5. Significant accounting policies and accounting estimates

Whether the Company needs to comply with the requirement of special industry

No

The notes of detailed accounting policies and accounting estimates:

No

5.1 The declaration about compliance with ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the financial position as of 31st December 2018, and the Company’s and results of operations and cash flows for the year then ended. In addition,

in all material respects, the financial statements of the Company comply with disclosure requirements of the financial statements and their notes in accordance with Rules on Company Information Disclosure and Preparation of Publicly Issued Securities No.15-General Rules on Financial Reporting Rules revised by CSRC in 2014.

5.2 Accounting period

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

5.3 Business Cycle

The Company's business cycle is 12 months.

5.4 Functional currency

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

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

(1) Business combination under common control

Assets and liabilities obtained by the Company from the combine through business combination under common control shall be measured at the book value as stated in the consolidated financial statements of ultimate controlling party at the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital premium) is adjusted according to the difference between the book value of net asset acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

(2) Business combination not under common control

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

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

5.6 Preparation of consolidated financial statements

(1) Consolidated Financial Statement Scope

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

(2) Consolidation procedures

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

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be made necessary adjustment based on its own accounting policies and accounting periods of the Company.

For subsidiaries acquired from the business combination not under common control, the financial statements shall be adjusted on the basis of the fair value of identifiable net assets on the date of purchase. For the subsidiary acquired from the business combination under common control, its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controlling party) shall be adjusted on the basis of the book value in the consolidated statements of the ultimate controlling party.

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

Acquisition of subsidiaries or business

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the opening balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated

statement of cash flows. At the same time, the relevant items of the comparative information shall be adjusted as the combined entity existed since the control point of the ultimate controlling party.

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

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

When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the Company shall re-measure the previously held equity interests to its fair value on the acquisition date, and the difference shall be recognized as investment income.

When the previously held equity investment is accounted for under equity method, any other comprehensive income previously recognized and other equity changes (excluding other comprehensive, net profit and loss and profit distribution) in relation to the acquiree's equity changes shall be transferred to profit and loss for the current period when acquisition took place, except for other comprehensive income resulting from changes in net liabilities or net assets due to re-measurement of defined benefit plan by investee.

Disposal of subsidiaries and business

General treatments

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

In case of loss of control over the investee due to partial disposal of the equity investment

or other reasons, the Company shall re-measure the remaining equity investment at its fair value at the date of loss of control. The amount of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the net asset shares calculated continuously from the acquisition date based on the previous shareholding proportion and the goodwill, the difference shall be included in the investment income of the period when the control is lost.

Other comprehensive income related to the former subsidiary's equity investment of or other changes in owners' equity excluding net profit and loss, other comprehensive income and profit distribution shall be transferred to investment income for the current period when control is lost. Other comprehensive income resulting from changes in net liabilities or net assets due to re-measurement of defined benefit plan by investee is excluded.

Disposal of subsidiaries by step

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

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

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

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

Purchase of non-controlling interests

The difference between the increase in the cost of long-term equity investment result from acquisition of non-controlling shareholders and the share of net assets of the subsidiary calculated continuously from the acquisition date or combination date based on newly

shareholding proportion shall be adjusted to equity (share) premium of capital reserves in the consolidated balance sheet. If the capital reserve is insufficient, any excess shall be adjusted against retained earnings.

Partial disposals of equity investment in subsidiaries without loss of control

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

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

(1) Classification of joint venture arrangements

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

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

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

A joint arrangement that is not structured through a separate vehicle shall be classified as a joint operation. A separate vehicle refers to a separately identifiable financial structure, including separate legal entities or entities without a legal personality but recognized by statute.

(2) Accounting by parties of a joint operator

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

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

- d. Its share of the revenue from sale of the output by the joint operation; and
- e. Its solely-incurred expenses and its share of any expenses incurred jointly.

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

5.8 Cash and cash equivalents

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

5.9 Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency transactions

At the time of initial recognition of a foreign currency transaction of the Company, the amount in the foreign currency shall be translated into the amount in CNY currency at the spot exchange rate of the transaction date. For the monetary items of foreign currencies, the translation is done according to spot rate of the balance sheet date. The exchange difference generated from the difference of spot rate of the current balance sheet date and the time of initial recognition of a foreign currency or the previous balance sheet date is charged to the profit or loss of the current period except that the exchange difference generated from foreign currency borrowings relating to assets of which the acquisition or production satisfies the capitalization conditions is capitalized. Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit

or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss. If there is a non-monetary item of available-for-sale financial assets, the differences are recorded into other comprehensive income.

(2) Translation of foreign currency statements

Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur. Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur. Differences arising from the above translations of foreign currency financial statements are separately listed under other comprehensive income in the consolidated balance sheet. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period. Foreign currency cash flow and cash flow of foreign subsidiaries shall be translated at approximate exchange rate of spot rate on the date of cash flow.

5.10 Financial instruments

(1) Classification of financial assets and financial liabilities

At the time of initial recognition, financial assets shall be classified into the following four categories:

- Financial assets measured at fair value through current profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

At the time of initial recognition, financial liabilities shall be classified into the following two categories:

- Financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities directly designated to be measured at fair value through current profit and loss); and
- Other financial liabilities.

(2) Recognition basis and measurement method of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

At the time of initial recognition of financial assets shall be measured at fair value while their subsequent measurement of the four categories are different.

- For financial assets or financial liabilities measured at fair value through current profit and loss, they are initially measured at the amount of fair value upon acquisition, and relevant transaction expenses are included in the current profit and loss when

incurred. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, they shall be measured at fair values and the changes in their fair values shall be included in current profit or loss. When disposing of a financial asset held for trading, the Company recognizes the difference between the payment actually received and the book value of the financial asset held for trading on the disposal date, and transfers the accumulative amount previously included in profit or loss on changes in fair value to the investment income.

For available-for-sale financial assets, they are initially recognized at the sum of fair value upon acquisition and relevant transaction expenses. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, the available-for-sale financial assets are measured at fair values and the changes in their fair values are included in other comprehensive income. Upon disposal, the difference between the payment actually received and the book value of an available-for-sale financial asset shall be included in investment income; and meanwhile, the amount arising from the accumulated changes in fair value, which have been previously included in other comprehensive income, shall be transferred out and included in the investment profit or loss. However, if there is a equity instrument investment that cannot be reliably measured at fair value in an active market without quotation and a derivative financial assets linked with the equity instrument investment and settled with it, they shall be measured at their costs.

For receivables arising from external sales of goods or rendering of service according, their initial recognition amounts shall be the contract price or agreement price. Upon recovery or disposal, the difference between the price received and the book value of loans and receivables are included in the current profit and loss.

For held-to-maturity investments, they are initially measured at the total amount of their fair values upon acquisition and related transaction expenses. Interest income is calculated and recognized during the holding period according to the amortized cost and effective interest rates, and included in the investment income. Upon disposal, the difference between the actual proceeds and the book value of the held-to-maturity investment is recognized as investment income.

Financial liabilities measured at fair value through current profit and loss are measured at fair when they are acquired. Relevant transaction costs are directly included in the current profit and loss. It shall be subsequently measured at the fair value during the holding period. For other financial liabilities, the sum of the fair value and relevant transaction costs shall be taken as the initial amount of recognition at the time of acquisition. It shall be subsequently measured at amortized cost with effective interest rate method during the holding period.

(3) The determination of the fair value of financial assets and financial liabilities

For financial assets or financial liabilities in an active market, the fair value shall be determined by quotation in the active market; Where there is no active market, the fair value shall be determined by adopting valuation technology; The fair value of the initially acquired or derived financial assets or the assumed financial liabilities shall be determined based on the market transaction price.

(4) Test and extraction method of impairment provision of financial assets

On the balance sheet date, the Company shall check the book values of its financial assets (excluding the financial assets measured at fair value through current profit and loss), and recognize impairment losses on the financial assets with objective evidence of impairment, and provide reserves for the impairment.

The impairment test can be conducted separately for the individually significant financial assets and individually insignificant financial assets, or the impairment test can be included in the financial asset portfolio with similar credit risk characteristics.

For loans and receivables and held-to-maturity investments, the impairment loss is recognized at the difference between its book value and its present value of estimated future cash flows. If there is objective evidence to show that its value has been reversed, the previously recognized impairment loss can be reversed into the current profit and loss.

When the impairment of the available-for-sale financial asset occurs, even if the financial asset is not derecognized, the accumulated loss caused by the decrease of fair value previously directly included in the owner's equity shall be transferred out and included in the current profit and loss. For the available-for-sale debt instrument, the previous impairment provision can be reversed into the current profit and loss when the fair value rises subsequently. For available-for-sale equity instrument investment, the impairment provision shall not be reversed through the profit and loss.

(5) Recognition and measurement of transfer of financial assets

If nearly all of the risks and rewards of ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; If nearly all of the risks and rewards of ownership of the financial assets are retained, the Company shall not derecognize the financial assets. When the Company neither transfers nor retains nearly all of the risks and rewards of ownership of the financial assets, if the Company gives up control of the financial asset, the Company derecognizes the financial assets; if not, the relevant financial assets shall be recognized according to the degree of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

If the transfer of financial asset satisfies the criteria of derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss: The book value of the transferred financial asset; The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value

originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the partial transfer of financial asset satisfies the criteria of derecognition, the entire book value of the transferred financial asset shall be divided between the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in the current profit and loss: The book value of derecognized part; The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

5.11 Notes and accounts receivables

(1) Recognition criteria and provision method of bad debts of individually significant receivables

Recognition criteria of individually significant receivables	Individually significant receivables refer to accounts receivable, its closing balances are over CNY 5 million, other receivable, its closing balances are over CNY 3 million, and Individually overdue notes receivable, repayments and long-term receivables, its closing balances are over CNY 5 million.
Provision method of individually significant receivables	The Company obtains the debtor's solvency information to analyze the possible bad debt loss; the Company separately conducts impairment tests on the individually significant receivables that relevant debtor's solvency information cannot be obtained (or cost is too high). These receivables shall be divided into several portfolios according to similar credit risk characteristics, and then the impairment loss is recognized according to the closing balances of the portfolio on the balance sheet date in accordance with a certain proportion, and the bad debt provision is recognized.

(2) Receivables whose bad debt provisions are made by portfolio

Portfolio name	Provision method of bad debt
Receivables that are not individually significant but whose risk is significant according to the portfolio of credit risk characteristics	Aging analysis method
Other non-significant receivables	Aging analysis method

Among portfolios, adopting aging analysis method:

√ Applicable ☐ N/A

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 Year (Inclusive)	5.00%	5.00%
1-2 years	10.00%	10.00%

Aging	Proportion of provision for accounts receivable	Proportion of provision for other receivables
2-3 Years	20.00%	20.00%
3-4 Years	40.00%	40.00%
4-5 Years	80.00%	80.00%
Over 5 Years	100.00%	100.00%

Among portfolios, adopting percentage of balance method:

☐ Applicable ☒ N/A

Among portfolios, adopting other method:

☐ Applicable ☒ N/A

(3) Accounts receivable that are individually insignificant but separately accrued bad debt provisions

Reason for making provision for bad debt separately	The bad debt provision made by portfolio is obviously lower than the possible loss of this receivable.
Provision method of bad debt	Impairment loss is recognized by the difference between the present value of its future cash flow and its book value.

5.12 Inventory

Whether the Company needs to comply with the disclosure requirement of special industry.

No

(1) Classification of inventory

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

(2) Measurement method of dispatched inventories

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

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

At the end of the period, inventory is measured according to the lower of cost and net realizable value. The difference between inventory cost and net realizable value is higher

than the provision for stock obsolescence, which is recorded into current profit and loss. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for stock obsolescence as a whole. For inventories that have large quantities but low value, the Company provides for stock obsolescence on a category basis.

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

(4) Inventory system

The Company adopts perpetual inventory system.

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

It is amortized in full at once.

5.13 Assets held for sale

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

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

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

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

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

a. Initial measurement and subsequent measurement

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

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

For the impairment of disposal group, it should write off goodwill if existing, and then write down the related assets proportionally. Depreciation or amortization should cease for the non-current asset held for sale. Interest and other charges on liabilities in the disposal groups held for sale continue to be recognized.

b. Accounting treatment of reversal of impairment loss

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

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

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

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

Non-current assets or disposal groups that are no longer divided into held-for-sale category or non-current assets are removed from disposal groups held for sale

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

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

5.14 Long-term equity investment

(1) Judgment criteria of common control and significant influence

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

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

- Dispatch representatives to the board of directors or similar authorities of the investee.

- To participate in the financial and business policy making process of the investee.

- Significant transactions with the investee.

- Dispatch management personnel to the investee.

- To provide key technical data to the investee.

(2) Determination of the initial investment cost

a. Long-term equity investment resulting from combination

Business combination under common control:

For the long-term equity investments obtained by cash paid, non-monetary assets paid or assumed liabilities and the equity securities issued by the acquirer, on the merger date, the initial investment cost of long-term equity investment shall be taken as the share of the owner's equity of the investee in the book value of the final control party's consolidated financial statements. If the investee under business combination

under common control can be controlled due to additional investment or other reasons, the initial investment cost of long-term equity investment shall be determined on the merger date according to the share of the net assets of the investee in the book value of the final control party's consolidated financial statements. The difference between the initial investment cost of the long-term equity investment on the merger date and sum of the book value of the long-term equity investment before the merger and the new consideration of acquiring shares on the merger date shall be recorded to adjust the equity premium. If the equity premium is insufficient to be written down, the retained earnings shall be written down.

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

b. Long-term equity investment obtained by other means

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

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

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

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

(3) Subsequent measurement and recognition of profit and loss

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

Long-term equity investments that can control the investee are measured under the cost method. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash

dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

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

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

The Company shall, according to the shares of net profits and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee are impairment of related assets, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book

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

5.15 Investment property

Measurement model of investment property

Cost model

Method of depreciation or amortization

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

(1) Initial Recognition

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

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

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

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

(2) Subsequent measurement

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

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

the fair value and book value is recorded into current profit or loss.

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

5.16 Fixed assets

(1) Recognition of fixed assets

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

(2) Depreciation of fixed assets

Category	Depreciation method	Estimated useful life (Years)	Estimated residual value rate (%)	Annual depreciation rate(%)
Buildings and Constructions	Straight-line method	10—35	5	9.50—2.71
Special equipment	Straight-line method	5—30	5	19.00—3.17
Universal equipment	Straight-line method	4—15	5	23.75—6.33
Transportation equipment	Straight-line method	6	5	15.83
Other equipment	Straight-line method	4—16	5	23.75—5.94

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

If the purchase price of a fixed asset exceeds the normal credit conditions and the payment is delayed, which has a financing nature, the cost of the fixed asset shall be determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price, unless it should be capitalized, shall be recorded into the current profit and loss in the credit period. For fixed assets acquired under financing lease, at the inception of the lease, the Company shall recognize it at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Adapt the same depreciation method as the one used on other fixed assets owned by the Company. If there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term or the useful life of the leased assets.

5.17 Construction in progress

Whether the Company needs to comply with the disclosure requirement of special industry.

No

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

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

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

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

5.18 Borrowing costs

(1) Scope of borrowing costs and its capitalization conditions

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

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

(2) Recognition of capitalized amounts

The capitalized amount of borrowing expenses is calculated as follows:

As for special loan borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special loan actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs. As for general loans used for acquiring and constructing or producing assets eligible for capitalization, the interest of general loans to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special loans by the capitalization rate of used general loans. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant loans. Where there are

discounts or premiums on loans, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method. Auxiliary expenses incurred from special loans before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

(3) Recognition of capitalization rate

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

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

(4) Capitalization suspension of borrowing costs

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

(5) Capitalization cessation of borrowing costs

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

5.19 Intangible assets

(1) Measurement method, useful life, impairment test

Measurement method

- a. Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use.
- b. Intangible assets invested by investors shall be valued at the value agreed upon in the investment contract or agreement;
- c. Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; The

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

- i. It is technically feasible to finish intangible assets for use or sale;
 - ii. It is intended to finish and use or sell the intangible assets;
 - iii. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
 - iv. It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources.
 - v. The expenditure attributable to the intangible asset during its development phase can be measured reliably.
- d. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

Useful life and amortization method

For intangible assets with limited useful life, amortization shall be carried out according to the straight-line method within the period that brings economic benefits to the enterprise. At the end of each period, the useful life and amortization method of intangible assets with limited service life shall be reviewed. If there are differences with the original estimates, corresponding adjustments shall be made.

Intangible assets whose useful life is uncertain shall be regarded as intangible assets if it is impossible to foresee the term in which intangible assets bring economic benefits to the enterprise. Intangible assets with uncertain useful life shall not be amortized during the holding period, and the life of intangible assets shall be reviewed at the end of each period. If it is still uncertain after the review at the end of the period, the impairment test shall continue during each accounting period. At the end of each period, the useful life of intangible assets with uncertain service life shall be reviewed.

Impairment test

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

(2) Internal research and development expenditure accounting policy

The expenditures incurred in the development stage of the internal research and development projects shall be recognized as intangible assets when the following

conditions are met; otherwise, they shall be recorded into the current profit and loss when they occur.

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

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

5.20 Non-current assets impairment

On the balance sheet date, the Company makes a judgment on whether there are signs of possible impairment of long-term assets. If there are impairment indicators of non-current assets, the Company estimates the recoverable amount based on individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset.

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

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

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

Goodwill shall be combined with its related asset group or asset group portfolio so as to

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

5.21 Long-term deferred expenses

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

5.22 Employee benefits

(1) Accounting treatment method of short-term benefits

Short-term benefits are the benefits that the Company expects to pay in full within 12 months after the reporting period in which the employee provided relevant services, excluding the compensation for employment termination.

Accrued short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profit and loss or the relevant assets cost .

(2) Accounting treatment method of post-employment benefits

Defined contribution plan

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

Defined benefit plan

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

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

plan.

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

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

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

(3) Accounting treatment method of termination benefits

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

- a. When the Company is not able to withdraw the benefits from termination of employment or resignation persuasion unilaterally;
- b. When the Company recognizes costs and fees relevant to reforming the termination benefits payment.

As for the termination benefits that cannot be fully paid within 12 months after the end of the annual report period, the Company shall choose an appropriate discount rate and record it into current profit and loss based on it.

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

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits and termination benefits. Other long-term employee benefits provided by the Company to the employee that meet the conditions of the defined contribution plan shall be treated in accordance with the same principles of the defined contribution plan; If the conditions for defined benefits are met, net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant principles of the defined benefits plan.

5.23 Estimated liabilities

(1) Recognition criteria of estimated liabilities

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

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

the obligation can be measured reliably.

(2) Measurement method of estimated liabilities

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

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

The best estimate is processed as follows:

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

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

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

5.24 Share-based payment

(1) The type of share-based payment

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

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

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

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

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

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

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

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

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

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

5.25 Revenue

Whether the Company is required to comply with special industry disclosure requirements
No

(1) Recognition of revenue from sales of goods

Revenue is recognized when the following conditions can be met: it has transferred significant risks and rewards of ownership of the goods to the purchaser; the Company retains neither continuing managerial involvement usually related to the ownership nor effective control over the sold goods; the relevant economic benefits are highly likely to flow into the Company; relevant revenues and the costs can be measured reliably.

(2) Recognition principals of revenue from transfer of asset use right.

The specific conditions of the Company's recognition of revenue: for domestic sales, it shall specify the sales items and rights and obligations of both parties according to the

signed sales contract or agreement. The Company shall take the receipt of the payment or the receipt voucher as the basis and recognize the revenue after the customer signs for the receipt of the goods. For export commodities, the revenue shall be recognized when the Company receives the customs declaration form of export goods (export tax rebate copy) and issues export invoices after certifying an agent export certificate in tax bureau.

(3) Revenues of rendering of services

If the service is commenced and completed within the same fiscal year, the Company recognizes revenue from rendering of service when the service is completed. If the commencement and completion of services are in separate fiscal years, the Company recognizes revenue from rendering of service using the percentage-of-completion method on the balance sheet date when the outcome of service transactions can be estimated reliably. When the outcome of service transactions cannot be estimated reliably, the Company recognizes and measures revenue according to the principle of prudence.

(4) Revenue from transfer of asset use right

Revenue is recognized when the following conditions can be met: the relevant economic benefits can flow into the Company; relevant revenues can be measured reliably.

5.26 Government grants

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

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

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

Accounting method: it shall be recognized as deferred income allocated evenly over the useful lives (the period of depreciation and amortization) of the relevant assets from the month of commence of depreciation or amortization when the relevant assets reaching the intended use condition, and included in the current profit or loss. However, government grants measured at the nominal amount shall be directly included in current profit and loss.

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

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

Accounting method:

- a. If it is used to compensate the Company's relevant expenses or losses in future

periods, it should be recognized as deferred income and included into the current profit and loss or written off of the related costs when the relevant expenses, losses are recognized.

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

c. Recognition time-point of government grants

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

d. Measurement of government grants

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

5.27 Deferred tax assets or deferred tax liabilities

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

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

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

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

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

5.28 Lease

(1) Accounting treatment of operating lease

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

rents and the residual rent is recognized into current profit or loss in each period of the lease term.

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

(2) Accounting treatment of finance lease

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

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

5.29 Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable ☒ N/A

(2) Changes in significant accounting estimates

☐ Applicable ☒ N/A

6. Taxes

6.1. Major tax types and rates

Tax type	Tax base	Tax rate
Value-added tax	Taxable sales income	17%、16%、11%、10%、6%
Urban maintenance and construction tax	Taxable turnover tax	7%
Corporate income tax	Taxable income	25%、15%、16.5%、0%
Consumption tax (based on price)	Liquor tax price or ex-factory price	20%

Tax type	Tax base	Tax rate
Consumption tax (based on quantity)	Quantity of wine	CNY 1.00/kg
Education surcharge	Taxable turnover tax	3%
Local education surcharge	Taxable turnover tax	2%
Property tax	Original value of the property×70%;house rent	1.2%、12%
Land use tax	Land area	CNY 5-18.00/m ²
Others	According to national regulation	

Tax payment subject using different corporate income tax rates, the corporate income tax rates are as follows:

Company name	Corporate income tax rate
Luzhou Pinchuang Technology Co., Ltd.	15%
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	16.5%
Mingjiang Co., Ltd.	21%-40%
Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.	Exempted from corporate income tax

6.2. Tax preferences

(1) According to *Announcement of the State Administration of Taxation on Corporate Income Tax Questions Concerning the Further Implementation of the Western Development Strategy* (State Administration of Taxation Announcement No.12 of 2012), from 1 January 2011 to 31 December 2020, companies are located in the western region whose primary business is listed in the *Catalogue of Encouraged Industries in the Western Region*, and the annual primary business income accounting for over 70% of the total enterprise income. These companies can be subject to the corporate income tax at a reduced rate of 15%. The Company's holding subsidiary, Luzhou Pinchuang Technology Co., Ltd., whose primary business income meet the requirements of scope and amount of the Catalogue of Encouraged Industries in the Western Region, is paid at the rate of 15% for corporate income tax.

(2) The Company's holding subsidiary, Luzhou Laojiao International Development (Hong Kong) Co., Ltd., is paid at the rate of 16.5% for corporate income tax according to Hong Kong tax rate standard.

(3) Corporate income tax in the USA is a kind of income tax levied on the global income of American resident companies and the income of non-USA resident companies derived from the USA, which is divided into federal, state and local levels. In addition, the regular federal corporate income tax adopts a progressive tax rate system. The holding subsidiary of the Company, Mingjiang Co., Ltd., pays corporate income tax at the rate of 21% to 40%, according to the tax rate standard in the USA.

(4) According to Article 27 of the *Corporate Income Tax Law of the People's Republic of*

China and Article 86, Item 3 of the *Implementation Regulations of the Corporate Income Tax Law*, companies are exempted from enterprise income tax when they engage in agricultural, forestry, animal husbandry and fishery industries. The holding subsidiary of the Company, Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., is engaged in the cultivation and sale of organic sorghum and enjoys the reduction of corporate income tax preferences.

(6) According to the Article 15, Item 1 of the *Provisional Regulations on Value-Added Tax*, agricultural producers sell self-produced agricultural products exempt from value-added tax. The holding subsidiary of the Company, Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., is engaged in the cultivation and sale of organic sorghum and enjoys the value-added tax exemption.

7. Notes to the main items of the consolidated financial statements (All currency unit is CNY, except other statements)

7.1. Cash and cash equivalents

Item	Closing Balance	Opening Balance
Cash	4,420.76	10,907.81
Bank deposit	9,364,716,075.36	8,449,228,764.98
Other cash and cash equivalents	2,666,131.56	382,482.12
Total	9,367,386,627.68	8,449,622,154.91
Including: total deposit outbound	57,439,384.10	27,106,540.20

Other statements:

1. The total amount of funds deposited outbound is CNY 57,439,384.10, including: Luzhou Laojiao International Development (Hong Kong) Co., Ltd., the holding subsidiary of the Company, with a total amount of CNY 56,937,446.51 in cash and bank deposits, and CNY 501,937.59 in bank deposits of Mingjiang Co., Ltd., the holding subsidiary of the Company.
2. The closing balance of other cash and cash equivalents is the travel service deposit of CNY 1,400,000.00 deposited by the Company's wholly-owned subsidiary, Luzhou Laojiao Tourism Culture Co., Ltd., in the designated bank according to the regulations of the tourism bureau, and balance of CNY 1,266,131.56 deposited by the Company's holding subsidiary, Luzhou Laojiao Electronic Commerce Co., Ltd. on the third-party e-commerce platform.

7.2. Notes and accounts receivable

Item	Closing Balance	Opening Balance
Notes receivable	2,388,326,476.15	2,492,813,857.65
Accounts receivable	10,333,728.87	8,008,857.20
Total	2,398,660,205.02	2,500,822,714.85

7.2.1. Notes receivable**7.2.1.1. Classification of notes receivable**

Item	Closing Balance	Opening Balance
Bank acceptance bill	2,388,326,476.15	2,492,813,857.65
Total	2,388,326,476.15	2,492,813,857.65

7.2.1.2. Notes receivable that have been endorsed to other parties by the Company but have not expired at the end of year

Item	Derecognition at period end	Not derecognition at period end
Bank acceptance bill	2,850,597,353.26 ¹	
Total	2,850,597,353.26	

Note: 1. The acceptor of the bank acceptance bill is a commercial bank. The probability of not being paid due is very low, and the possibility of being recourse is very low, so the confirmation has been terminated. However, if the bill expires without payment, the Company will still bear joint liability to the holder in accordance with the provisions of the *Negotiable Instruments Law*.

7.2.1.3. Notes transferred to the accounts receivable due to the non-performance of the agreements by the issuers

There are no notes transferred to accounts receivable due to the non-performance of the agreements by the issuers.

7.2.2. Accounts receivable

7.2.2.1. Analysis by categories

Type	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book Value	Book balance		Provision for bad debt		Book Value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Accounts receivable tested for impairment on the portfolio with characteristics of credit risk	10,922,591.46	100.00%	588,862.59	5.39%	10,333,728.87	8,431,442.86	100.00%	422,585.66	5.01%	8,008,857.20
Total	10,922,591.46	100.00%	588,862.59	5.39%	10,333,728.87	8,431,442.86	100.00%	422,585.66	5.01%	8,008,857.20

Accounts receivable with significant single amount and tested for impairment individually:

☐ Applicable ☒ N/A

An analysis of provision under the aging analysis method:

☒ Applicable ☐ N/A

Aging	Closing Balance		
	Accounts receivable	Provision for bad debt	Proportion
Classification of within 1 year			
Risk free	1,526.40		
Within 1 year	10,064,878.25	503,243.91	5.00%
Sub-total	10,066,404.65	503,243.91	5.00%
1-2 years	856,186.81	85,618.68	10.00%
Total	10,922,591.46	588,862.59	5.39%

Statements for determining the portfolio:

Accounts receivables using balance percentage method to provide bad debt:

☐ Applicable ☒ N/A

7.2.2.2. Provision and recovery for bad and doubtful debt in the current period

The provision allowance of current period is CNY 166,276.93. The recovery of current period is CNY 0.00.

7.2.2.3. Accounts receivable actually written off during the reporting period

Statements for accounts receivable written off:

There is no accounts receivable actually written off during the reporting period.

7.2.2.4. Top five entities with the largest balances of accounts receivable

Company name	Relationship with the Company	Closing Balance	Provision Amount	Proportion in the total (%)
Zhejiang Tmall Technology Co., Ltd.	Client	4,642,740.20	232,137.01	42.51
Shanghai Shengdayuan Information Technology Co., Ltd.	Client	2,757,743.93	137,887.20	25.25
Horgos Kunhui Co., Ltd.	Client	766,403.15	76,549.29	7.02
Beijing Jiuxian Network Technology Co., Ltd.	Client	454,022.86	22,701.14	4.16
Luzhou Happiness Setting Sailing E-commerce Co., Ltd.	Client	441,140.91	22,057.05	4.04
Total		9,062,051.05	491,331.69	82.97

7.2.2.5. Derecognition of accounts receivable due to transfer of financial assets

There is no derecognition of accounts receivable due to transfer of financial assets during the reporting period.

7.2.2.6. Amount of assets and liabilities resulting from transfer of accounts receivable and continuing involvement

There are no assets and liabilities resulting from transfer of accounts receivable and continuing involvement during the reporting period.

7.3. Prepayment**7.3.1. Aging analysis**

Aging	Closing Balance		Opening Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	130,442,246.83	95.04%	192,495,796.28	97.31%
1-2 years	6,801,326.83	4.96%	245,864.97	0.12%
Over 3 years			5,093,855.21	2.57%
Total	137,243,573.66	--	197,835,516.46 ¹	--

Note: The closing balance decreased CNY 60,591,942.80 compared with the opening balance, with a decrease by 30.63%, which was mainly due to the prepaid part of advertising fee in the previous period that has been settled in the current period.

Statements for significant prepayment whose aging longer than 1 year and unsettled in time:

There is no significant prepayment whose aging is longer than 1 year.

7.3.2. Top five entities with the largest balances of prepayment

Company name	Relationship with the Company	Closing balance	Proportion in the total
Shanghai Merlot Advertising Co., Ltd.	Supplier	55,999,806.00	40.80
New Shottes Brook Private Company	Supplier	18,086,370.77	13.18
Australian Tennis Co., Ltd.	Supplier	8,631,875.00	6.29
Sass Diva Bion Co., Ltd.	Supplier	4,396,975.53	3.20
Luzhou Super Value Trading Co., Ltd.	Supplier	4,204,100.00	3.06
Total		91,319,127.30	66.54

7.4. Other receivables

Item	Closing Balance	Opening Balance
Interest receivable	29,970,944.44	14,546,875.69
Other receivables	136,554,065.72	221,179,068.43
Total	166,525,010.16	235,725,944.12

7.4.1. Interest receivable

7.4.1.1. Classification of interest receivable

Item	Closing Balance	Opening Balance
Fixed deposits	29,970,944.44	14,546,875.69
Total	29,970,944.44	14,546,875.69 ¹

Note: 1. The closing balance increased CNY 15,424,068.75 compared with opening balance, with an increase by 106.03%, mainly due to the increase of interest income on fixed deposit resulting from stock funds in the current period.

7.4.1.2. Significant interest receivable overdue

There is no significant interest receivable overdue at end of the period.

7.4.2. Other receivables

7.4.2.1. Other receivables disclosed by categories

Type	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book Value	Book balance		Provision for bad debt		Book Value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Other receivables with significant single amount and tested for impairment individually	307,456,275.25	89.50%	200,000,000.00	65.05%	107,456,275.25	400,000,000.00	92.86%	200,000,000.00	50.00%	200,000,000.00
Other receivables tested for impairment on the portfolio with characteristics of credit risk	36,069,225.42	10.50%	6,971,434.95	19.33%	29,097,790.47	30,765,253.79	7.14%	9,586,185.36	31.16%	21,179,068.43
Total	343,525,500.67	100.00%	206,971,434.95	60.25%	136,554,065.72	430,765,253.79	100.00%	209,586,185.36	48.65%	221,179,068.43

Other receivables with significant single amount and tested for impairment individually:

√ Applicable □ N/A

Company Name	Closing balance			
	Other receivables	Provision for bad debt	Proportion of provision	Reason
Agricultural Bank of China Changsha Yingxin Branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou Branch and another bank.	307,456,275.25	200,000,000.00	65.05%	The annual report of the Company in 2014 disclosed that the three savings deposits in the Agricultural Bank of China Changsha Yingxin branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou branch and another bank, a total of CNY 500,000,000.00. Due to the contract disputes, it loses the nature of cash and cash equivalents, and it is transferred to "other receivables". As the end of 31 December 2018, the Company has recovered CNY 182,163,803.24 of another deposit among CNY 200,000,000.00 mentioned in the <i>Notice of Important Matters</i> No. 2015-1 and CNY 10,379,921.51 of the deposit of Agricultural Bank of China Changsha Yingxin branch. So far, the unrecovered amount of deposits involving contract disputes was CNY 307,456,275.25. On 6 January 2019, the lawyers of Beijing Weiheng (Chengdu) Law Firm issued the <i>Legal Opinion of Luzhou Laojiao Co., Ltd. on the provision for bad debt on abnormal deposits in Changsha, Nanyang and another place</i> , which indicated that "since 25 March 2016, to the date issuing legal opinion on the proportion of provision for bad debt, there was no event that can affect the change of provision for bad debt, so the judgment on the provision for bad debt of CNY 200 million was still maintained". For details please see Note 12.2.
Total	307,456,275.25	200,000,000.00	--	--

An analysis of provision under the aging analysis method:

√ Applicable □ N/A

Aging	Closing Balance		
	Other receivables	Provision for bad debt	Proportion of provision
Within 1 year	27,994,235.26	1,399,711.76	5.00%
1-2 years	636,506.00	63,650.60	10.00%
2-3 years	2,245,417.94	449,083.59	20.00%
3-4 years	184,722.70	73,889.08	40.00%
4-5 years	116,218.00	92,974.40	80.00%
Over 5 years	4,892,125.52	4,892,125.52	100.00%
Total	36,069,225.42	6,971,434.95	19.33%

Statements for determining the portfolio:

Other receivables using balance percentage method to provide bad debt:

☐ Applicable ☒ N/A

Other receivables using other method to provide bad debt:

☐ Applicable ☒ N/A

7.4.2.2. Provision and recovery for bad and doubtful other receivables in the current period.

The provision allowance of current period is CNY -2,201,616.55. The recovery of current period is CNY 0.00.

7.4.2.3. Other receivables actually written off during the reporting period

Item	Written off amount
Other receivables actually written off	413,133.86

Statements for written off:

There are no significant other receivables actually written off.

7.4.2.4. Analysis of other receivables by category

Category	Closing Balance	Opening Balance
Intercourse funds	26,300,395.29	23,529,848.53
Petty cash	2,963,363.02	3,734,517.61
Saving deposits involving contract disputes	307,456,275.25	400,000,000.00
Other	6,805,467.11	3,500,887.65
Total	343,525,500.67	430,765,253.79

7.4.2.5. Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Agricultural Bank of China Changsha Yingxin branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou branch and another bank.	Saving deposits involving contract disputes	307,456,275.25	4-5 years	89.50%	200,000,000.00

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Zhejiang Tmall Technology Co., Ltd.	Online platform fee, security deposit, etc.	5,743,646.09	Within 1 year	1.67%	287,182.30
Housing and Urban-Rural Development Bureau of Longmatan District, Luzhou City	Security deposit	2,401,617.09	Within 1 year, 1-2 years	0.70%	131,336.00
Luzhou Electric Power Bureau of Longmatan District, Luzhou City	Security deposit	1,520,000.00	2-3 years, Over 5 years	0.44%	912,000.00
China Real Estate Development Corporation Luzhou Branch	Loan	1,500,000.00	Over 5 years	0.44%	1,500,000.00
Total	--	318,621,538.43	--	92.75%	202,830,518.30

7.4.2.6. Other receivables involving government subsidy

There are no other receivables involving government subsidy during the reporting period.

7.4.2.7. Other receivables derecognized arising from financial assets transfer

There are no other receivables derecognized arising from financial assets transfer during the reporting period.

7.4.2.8. Amount of assets and liabilities resulting from transfer of other receivables and continuing involvement

There are no assets and liabilities resulting from transfer of other receivables and continuing involvement during the reporting period.

7.5 Inventories

Does the Company need to comply with the disclosure requirements of real estate industry

No

7.5.1. Categories of Inventories

Category	Closing Balance			Opening Balance		
	Book Balance	Provision for stock obsolescence	Book Value	Book Balance	Provision for stock obsolescence	Book Value
Raw materials	68,423,897.18		68,423,897.18	67,290,652.11		67,290,652.11
Goods in progress	138,889,316.08		138,889,316.08	133,177,796.66		133,177,796.66
Finished goods	1,181,824,032.21		1,181,824,032.21	871,353,398.56		871,353,398.56

Category	Closing Balance			Opening Balance		
	Book Balance	Provision for stock obsolescence	Book Value	Book Balance	Provision for stock obsolescence	Book Value
			1			
Revolving materials	8,812,993.84		8,812,993.84	3,246,579.80		3,246,579.80
Self-made semi-finished goods	1,741,647,734.69		1,741,647,734.69	1,629,157,619.19		1,629,157,619.19
goods in transit	90,817,775.95		90,817,775.95	107,640,476.94		107,640,476.94
Total	3,230,415,749.95		3,230,415,749.95	2,811,866,523.26		2,811,866,523.26

Whether the Company needs to comply with the disclosure requirements of “*Shenzhen Stock Exchange Disclosure Guide No. 4 - Listed Companies Engaged in Seed or Planting Business*”

No.

Whether the Company needs to comply with the disclosure requirements of “*Shenzhen Stock Exchange Disclosure Guide No.11 - Listed Companies Engaged in Jewelry Related Business*”

No.

7.5.2. Provision for stock obsolescence

The net realizable value is not lower than book cost in the closing balance of inventory, so there is no provision for decline in value of inventories.

7.5.3. Statements for borrowing cost capitalized and included in the closing balance of inventory

There is no borrowing cost capitalized and included in the closing balance of inventory.

7.5.4. Closing conditions of assets completed but not settled through construction contracts

There are no closing conditions of assets completed but not settled through construction contracts.

7.6. Other current assets

Item	Closing Balance	Opening Balance
Value-added tax	121,918,815.13	23,714,061.05
Corporate income tax	70,659,379.26	48,960,190.22
Other taxes	1,659,042.63	182,168.33
Total	194,237,237.02	72,856,419.60

Other statements:

1. The value-added tax expected to be deducted in the next fiscal year and corporate income tax and other taxes are disclosed in other current assets.

2. The closing balance increased CNY 121,380,817.42 compared with the opening balance, an increase by 166.60%, mainly due to the increase in input value-added tax.

7.7. Available-for-sale financial assets

7.7.1. Details of available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Available-for-sale equity instruments	281,572,374.83	5,752,926.37	275,819,448.46	328,327,384.26	5,752,926.37	322,574,457.89
Measured by fair value	190,758,692.59		190,758,692.59	237,513,702.02		237,513,702.02
Measured by cost	90,813,682.24	5,752,926.37	85,060,755.87	90,813,682.24	5,752,926.37	85,060,755.87
Total	281,572,374.83	5,752,926.37	275,819,448.46	328,327,384.26	5,752,926.37	322,574,457.89

7.7.2. Available-for-sale financial assets measured at fair value at period end

Categories of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments / Amortized cost of debt instruments	13,749,156.76		13,749,156.76
Fair value	190,758,692.59		190,758,692.59
Cumulative fair value changes through other comprehensive income	177,009,535.83		177,009,535.83 ¹

Note: 1. Available-for-sale financial assets measured at fair value at the end of the period were stock investment in Guotai Junan Securities Co.,Ltd. and Sichuan Nitrocell Co.,Ltd..

7.7.3. Available-for-sale financial assets measured by cost at period end

Investee	Book Balance				Provision for impairment				Proportion of equity held in investee	Current period cash dividends
	Opening Balance	Increase in current period	Decrease in current period	Closing Balance	Opening Balance	Increase in current period	Decrease in current period	Closing Balance		
Guotai Junan Investment Management Co., Ltd.	22,611,834.24			22,611,834.24					1.64%	
Commercial Bank of Luzhou City	51,120,000.00			51,120,000.00					1.66%	4,339,200.00
Shenzhen Xingangfeng Development Co., Ltd.	2,354,000.00			2,354,000.00	2,354,000.00			2,354,000.00	33.00%	
Sichuan Deyang Jintai Hotel	2,000,000.00			2,000,000.00	2,000,000.00			2,000,000.00	3.05%	
Hainan Huitong International Trust Company	1,000,000.00			1,000,000.00	1,000,000.00			1,000,000.00	0.89%	
Sichuan China Liquor Golden Triangle Brand Operation Development Co., Ltd.	1,000,000.00			1,000,000.00					2.86%	
Guojiu Big Data Co., Ltd.	10,000,000.00			10,000,000.00					11.33%	
Luzhou Zunzhi Auto Service Co., Ltd.	25,000.00			25,000.00					5.00%	
Sichuan Zhonghe Tongchuang Maca Investment Co., Ltd.	200,000.00			200,000.00	200,000.00			200,000.00	2.00%	
Luzhou Enterprise Union Trading Co., Ltd.	502,848.00			502,848.00	198,926.37			198,926.37	11.31%	
Total	90,813,682.24			90,813,682.24	5,752,926.37			5,752,926.37	--	4,339,200.00

7.7.4. Changes in provision for impairment of available-for-sale assets during the reporting period

Categories of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Opening balance of the provision for impairment	5,752,926.37		5,752,926.37
Closing balance of the provision for impairment	5,752,926.37		5,752,926.37

7.7.5. Statements for fair value of available-for-sale equity instrument at the period end decreases significantly or decreases continuously but no provision for impairment

There is no significant decline in the fair value of available-for-sale equity instrument at the period end or a continuously decline but no provision for impairment.

7.8. Long-term equity investments

Investee	Opening Balance	Changes in Current Period								Closing Balance	Closing Balance of provision for impairment
		Increase	Decrease	Gain or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividend or profit declared	Provision for impairment	Other		
Huaxi Securities Co., Ltd.	1,827,461,071.65			89,710,642.15	-359,548.89	171,419,326.19	10,367,583.47			2,077,863,907.63	2,567,098.80
Sichuan Development Wine Investment Co., Ltd.		16,636,159.43		-829,619.65						15,806,539.78	
Subtotal	1,827,461,071.65	16,636,159.43		88,881,022.50	-359,548.89	171,419,326.19	10,367,583.47			2,093,670,447.41	2,567,098.80
Total	1,827,461,071.65	16,636,159.43		88,881,022.50	-359,548.89	171,419,326.19	10,367,583.47			2,093,670,447.41	2,567,098.80

Other statements:

1. On 5 February 2018, Huaxi Securities, a joint venture of the Company, was listed on the Shenzhen Stock Exchange. The shareholding ratio of the Company holding Huaxi Securities was diluted from 12.99% before the listing to 10.39%; The voting right of Huaxi Securities was less than 20% but it still has significant influence because the Company has sent directors to the board of Huaxi Securities and has the corresponding substantive decision-making power.
2. On 9 February 2018, the 25th meeting of the eighth Board of Directors deliberated and approved *the Proposal on the Acquisition of Equity Related Transactions and Foreign Investment of Sichuan Development Wine Investment Co., Ltd.*, deciding to use owned funds to acquire all 30% equity of Sichuan Development Wine Investment Co., Ltd. held by the controlling shareholder Laojiao Group on the estimated price of CNY 10,594,650.00; On 16 October 2018, the 3rd meeting of the ninth board of directors deliberated and approved *the Proposal on the Acquisition of 12% equity of Sichuan Development Wine Investment*, deciding to purchase the 12% equity of the company listed on the Southwest United Property Exchange by the Sichuan Development (Holdings) Co., Ltd. at the listing price of CNY 6 million; Thus, the Company holds 42% equity of Sichuan Development Wine Investment Co., Ltd. and has a significant impact on it with the equity method as an associated enterprise.

7.9. Fixed assets

Item	Closing Balance	Opening Balance
Fixed assets	1,028,995,516.07	1,129,894,772.60
Disposal of fixed assets	671,399.40	
Total	1,029,666,915.47	1,129,894,772.60

7.9.1. Details of fixed assets

Item	Buildings and constructions	Specialized equipment	General equipment	Transportation equipment	Other equipment	Total
Original cost						
1. Opening balance	1,173,356,149.69	506,915,296.03	253,176,265.88	39,279,474.84	540,625,993.99	2,513,353,180.43
2. Increase in current period	9,421,817.90	6,111,604.01	14,168,672.94	85,862.07	38,592,337.50	68,380,294.42
(1) External purchase	303,184.93	3,327,943.13	12,420,866.69	85,862.07	5,703,638.82	21,841,495.64
(2) Transfer from construction in progress	10,679,539.59	388,781.84	4,379,200.58		32,912,204.32	48,359,726.33
(3) Increase from business combination						

Item	Buildings and constructions	Specialized equipment	General equipment	Transportation equipment	Other equipment	Total
(4)Original cost adjustment for completion settlement Note 1	-1,999,112.27				178,184.72	-1,820,927.55 ¹
(5)Internal adjustment of assets Note 2	438,205.65	2,394,879.04	-2,631,394.33		-201,690.36	²
3.Decrease in current period	10,724,390.34	948,586.05	5,263,962.83	2,430,646.98	19,747,583.10	39,115,169.30
(1)Disposal or retirement	10,724,390.34	948,586.05	5,263,962.83	2,430,646.98	19,747,583.10	39,115,169.30
4.Closing Balance	1,172,053,577.25	512,078,313.99	262,080,975.99	36,934,689.93	559,470,748.39	2,542,618,305.55
Accumulated depreciation						
1.Opening Balance	557,857,042.47	432,719,199.10	146,887,561.29	30,820,383.50	214,551,281.40	1,382,835,467.76
2.Increase in current period	51,066,964.39	33,783,676.07	30,285,255.55	2,078,066.89	37,777,746.33	154,991,709.23
(1)Provision	51,057,890.64	33,732,804.40	30,307,915.91	2,078,066.89	37,815,031.39	154,991,709.23
(2)Internal adjustment of assets	9,073.75	50,871.67	-22,660.36		-37,285.06	
3.Decrease in current period	4,487,790.07	697,024.04	4,947,424.69	2,314,506.37	12,380,582.41	24,827,327.58
(1)Disposal or retirement	4,487,790.07	697,024.04	4,947,424.69	2,314,506.37	12,380,582.41	24,827,327.58
4.Closing Balance	604,436,216.79	465,805,851.13	172,225,392.15	30,583,944.02	239,948,445.32	1,512,999,849.41
Provision for impairment						
1.Opening Balance	622,940.07					622,940.07
2.Increase in current period						
(1)Provision						
3.Decrease in current period						
(1)Disposal or retirement						

Item	Buildings and constructions	Specialized equipment	General equipment	Transportation equipment	Other equipment	Total
4.Closing Balance	622,940.07					622,940.07
Book Value						
1.Closing Book Value	566,994,420.39	46,272,462.86	89,855,583.84	6,350,745.91	319,522,303.07	1,028,995,516.07
2.Opening Book Value	614,876,167.15	74,196,096.93	106,288,704.59	8,459,091.34	326,074,712.59	1,129,894,772.60

Note:

1. The original cost of the assets adjusted for completion settlement in the current period refers to the difference between the amount of construction in progress of pre-transfer in the previous period and the amount after the completion of the current period.
2. Internal adjustment of assets in the current period refer that the Company hired an intermediary agency to re-clean and adjust for the fixed assets category of the previous year in order to manage fixed assets better.

7.9.2. Fixed assets without certification of right

Item	Book value	Reason for not having the certification of right
Buildings	1,988,539.70	The property ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures.
Workshop	28,047,411.95	The property ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures.

7.9.3. Disposal of fixed assets

Item	Closing Balance	Opening Balance
Retirement of assets	671,399.40	
Total	671,399.40	

7.10. Construction in progress

Item	Closing Balance	Opening Balance
Construction in progress	3,000,489,249.86	1,567,263,995.95
Total	3,000,489,249.86	1,567,263,995.95

7.10.1. Details of the construction in progress

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Technical renovation project of brewing	2,362,483,702.39		2,362,483,702.39	1,159,259,852.35		1,159,259,852.35

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
National cellar square upgrade project	396,458,270.43		396,458,270.43	382,650,395.70		382,650,395.70
Marketing network command center office area reconstruction and expansion project	41,727,132.77		41,727,132.77	569,503.85		569,503.85
New model application project of intelligent production workshop of solid state liquor	41,628,781.02		41,628,781.02	100,403.31		100,403.31
Technical upgrading project of sewage station	7,019,543.87		7,019,543.87			
Luohan brewing production automation equipment renovation project	18,143,603.80		18,143,603.80	11,869,453.35		11,869,453.35
Cellar construction project	66,252,965.92		66,252,965.92	2,640,114.50		2,640,114.50
Packaging production line purchase project				3,325,592.75		3,325,592.75
Other projects	66,775,249.66		66,775,249.66	6,848,680.14		6,848,680.14
Total	3,000,489,249.86		3,000,489,249.86	1,567,263,995.95		1,567,263,995.95 ¹

Note: 1.The closing balance increased CNY 1,433,225,253.91 compared with the opening balance, with an increase by 91.45%, because the technical renovation project of brewing is in the process as planned, and the investment input increases year by year.

7.10.2. Significant changes in construction in progress

Item	Budget	Opening Balance	Increase in current period	Transfer into fixed assets	Other decreases	Closing Balance	Proportion of accumulative project input in budget	Progress (%)	Accumulative capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period (%)	Source of funds
Technical renovation project of brewing	7,414,280,000.00	1,159,259,852.35	1,203,223,850.04			2,362,483,702.39	31.86%	40.00				Capital raised by share issuing and self-financing
National cellar square upgrade project	420,000,000.00	382,650,395.70	13,807,874.73			396,458,270.43	94.39%	95.00				Other
Marketing network command center office area reconstruction and expansion project	271,500,200.00	569,503.85	41,157,628.92			41,727,132.77	15.37%	30.00				Other
New model application project of intelligent production workshop of solid state liquor	245,100,000.00	100,403.31	41,528,377.71			41,628,781.02	16.98%	20.00				Other
Technical upgrading project of sewage station	77,050,000.00		7,019,543.87			7,019,543.87	9.11%	40.00				Other

Item	Budget	Opening Balance	Increase in current period	Transfer into fixed assets	Other decreases	Closing Balance	Proportion of accumulative project input in budget	Progress (%)	Accumulative capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period (%)	Source of funds
Luohan brewing production automation equipment renovation project	62,840,000.00	11,869,453.35	22,179,142.87	15,904,992.42		18,143,603.80	28.87%	60.00				Other
Cellar construction project	65,000,000.00	2,640,114.50	63,612,851.42			66,252,965.92	101.93%	98.00				Capital raised by share issuing
Total	8,555,770,200.00	1,557,089,723.06	1,392,529,269.56	15,904,992.42		2,933,714,000.20	--	--				--

7.10.3. Provision for impairment of construction in progress

The net realizable value is not lower than book cost in the closing balance of construction in progress, so there is no provision for impairment of construction in progress.

7.11. Intangible assets

7.11.1. Details of intangible assets

Item	Land use right	Patent right	No-patent right technology	Trademark right	Computer software	Total
Original cost						
1. Opening Balance	303,836,329.47	567,975.00		1,864,746.08	22,589,518.24	328,858,568.79
2. Increase in current period					9,988,002.65	9,988,002.65
(1) Acquired					9,988,002.65	9,988,002.65
(2) Internal developed						
(3) Business combination						
3. Decrease in current period						
(1) Disposal						
4. Closing Balance	303,836,329.47	567,975.00		1,864,746.08	32,577,520.89	338,846,571.44
Accumulated amortization						
1. Opening Balance	81,643,952.97	406,998.96		1,413,835.45	14,354,636.08	97,819,423.46
2. Increase in current period	6,262,530.17	16,797.50		96,187.68	2,684,259.75	9,059,775.10
(1) Provision	6,262,530.17	16,797.50		96,187.68	2,684,259.75	9,059,775.10
3. Decrease in current period						
(1) Disposal						
4. Closing Balance	87,906,483.14	423,796.46		1,510,023.13	17,038,895.83	106,879,198.56
Provision for impairment						
1. Opening Balance						
2. Increase in current period						
(1) Provision						
3. Decrease in current period						
(1) Disposal or retirement						
4. Closing Balance						
Book Value						
1. Closing Book	215,929,846.33	144,178.54		354,722.95	15,538,625.06	231,967,372.88

Item	Land use right	Patent right	No-patent right technology	Trademark right	Computer software	Total
Value						
2. Opening Book Value	222,192,376.50	160,976.04		450,910.63	8,234,882.16	231,039,145.33

7.11.2. Details of land use right without the certification of right

Item	Book value	Reason for not having the certification of right
Land use right	191,732.63	The ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures.

7.12. Deferred tax assets/ deferred tax liabilities

7.12.1 Deferred tax assets before offset

Item	Closing Balance		Opening Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	216,298,166.31	54,074,386.45	218,751,736.26	54,687,934.08
Unrealized profits from internal transactions	1,309,793,977.06	327,531,965.78	1,293,350,763.20	323,337,690.81
Deductible losses	872,951.87	218,237.97	3,846,566.85	961,641.71
Impact from salary	201,262,655.64	50,030,751.13	115,528,226.92	28,381,218.67
Impact from deferred earnings	18,840,778.20	4,555,670.74	16,996,051.66	3,908,893.86
Impact from fixed assets depreciation	145,146.51	23,949.17	507,655.76	83,763.20
Total	1,747,213,675.59	436,434,961.24	1,648,981,000.65	411,361,142.33

7.12.2 Deferred tax liabilities before offset

Item	Closing Balance		Opening Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value changes of available-for-sale assets	177,009,535.83	44,252,383.96	223,764,545.26	55,941,136.35
Total	177,009,535.83	44,252,383.96	223,764,545.26	55,941,136.35

7.12.3. Deferred tax assets or liabilities presented as net value after offset

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing balance of deferred tax assets or deferred tax liabilities after offset	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening balance of deferred tax assets or deferred tax liabilities after offset
Deferred tax assets		436,434,961.24		411,361,142.33
Deferred tax liabilities		44,252,383.96		55,941,136.35

7.12.4. Details of unrecognized deferred tax assets

Item	Closing Balance	Opening Balance
Deductible losses	17,608,147.09	28,544,342.43
Impact from provision for impairment of available-for-sale assets	200,000.00	200,000.00
Impact from employee benefits payable	1,618,142.01	1,532,571.82
Impact from deferred earnings		24,000.00
Impact from provision for impairment of assets	5,096.46	
Total	19,431,385.56	30,300,914.25

7.12.5. Deductible losses from unrecognized deferred tax assets will due on the following years

Year	Closing Amount	Opening Amount	Notes
2018		4,426,712.93	
2019		1,164,310.73	
2020	2,954,015.20	4,649,215.96	
2021	8,109,464.53	7,521,410.02	
2022	6,544,667.36	10,782,692.79	
Total	17,608,147.09	28,544,342.43	--

7.13. Other non-current assets

Item	Closing Balance	Opening Balance
Value-added tax to be deducted	4,314.05	4,314.05
Prepaid equipment expense	16,919,004.20	
Prepaid land expense	26,763,369.74	
Others	1,293,208.42	
Total	44,979,896.41	4,314.05

Other statements:

1. The closing balance of Value-added tax to be deducted is CNY 4,314.05, which is input tax of Luzhou Boda Brewing Co., Ltd., a subsidiary of the Company. As it has no business temporarily, it is estimated that it cannot be deducted within the next year, so it is listed in other non-current assets.
2. The closing balance increased CNY 44,975,582.36 compared with the opening balance, with an increase by 1,042,537.35%, mainly due to the impact of the new prepayment on construction and payment on land of CNY 43,682,373.94 in the current period in the Brewery Company, a Company's subsidiary.

7.14. Notes and accounts payable

Category	Closing Balance	Opening Balance
Accounts payables	1,292,050,954.06	740,700,050.76
Total	1,292,050,954.06	740,700,050.76

7.14.1. Presentation of accounts payable

Item	Closing Balance	Opening Balance
Within 1 year	1,283,226,149.23	734,067,517.60
1-2 years	6,964,123.24	4,227,780.92
2-3 years	544,190.59	661,571.89
Over 3 years	1,316,491.00	1,743,180.35
Total	1,292,050,954.06	740,700,050.76 ¹

Note:1.The closing balance increased CNY 551,350,903.30 compared with the opening balance, with an increase by 74.44%. Firstly, the purchase of raw materials and packaging materials has increased in the current period. Secondly, the investment in the technical renovation project of brewing has increased year by year, and the amount of construction equipment payable has increased.

7.14.2. Significant accounts payable aging more than 1 year

Other statements:

There is no significant accounts payable aging more than 1 year.

7.15. Advance from customers**7.15.1. Presentation of advances from customers**

Item	Closing Balance	Opening Balance
Within 1 year	1,548,909,002.82	1,930,720,655.19
1-2 years	31,636,485.70	6,254,648.13
2-3 years	4,230,033.33	3,606,983.63
Over 3 years	19,649,668.11	16,821,732.94
Total	1,604,425,189.96	1,957,404,019.89

7.15.2. Significant advance from customers aging more than 1 year

Item	Closing Balance	Reason for not settled
Advance from customers of payment for liquor	55,516,187.14	Payment is in settlement period
Total	55,516,187.14	--

7.16. Employee benefits payable**7.16.1. Employee benefits payable shown as follows**

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Short-term benefits	111,149,325.18	620,624,437.52	495,679,602.71	236,094,159.99
Post-employment benefits-defined contribution plans	26,404,135.85	90,661,781.13	85,076,855.00	31,989,061.98
Termination benefits	147,072.15		138,100.62	8,971.53
Total	137,700,533.18	711,286,218.65	580,894,558.33	268,092,193.50 ¹

Note: 1.The closing balance increased CNY 130,391,660.32 compared with the opening balance, with an increase by 94.69%, mainly due to the expansion of the Company's scale, the increase in staff, and the increase in performance pay and bonuses.

7.16.2. Short-term employee benefits payable shown as follows

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Wages, bonuses, allowances and grants	85,744,972.24	481,405,751.45	366,428,985.48	200,721,738.21
Employees' welfare		44,477,316.98	44,477,316.98	
Social insurance premiums	8,183,495.19	27,401,368.10	21,473,000.59	14,111,862.70
Including: Medical insurance premium	6,717,961.40	22,809,279.76	18,553,665.13	10,973,576.03
Work-related injury insurance	1,020,367.09	2,003,927.55	1,607,354.17	1,416,940.47
Maternity insurance premium	445,166.70	2,588,160.79	1,311,981.29	1,721,346.20
Housing funds	51,051.47	51,154,695.25	51,089,737.93	116,008.79
Labor union expenditures and employee education funds	17,169,806.28	16,185,305.74	12,210,561.73	21,144,550.29
Total	111,149,325.18	620,624,437.52	495,679,602.71	236,094,159.99

7.16.3. Defined contribution plan shown as follows

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Basic endowment insurance premium	7,514,736.36	61,784,911.42	51,536,043.46	17,763,604.32
Unemployment insurance premium	5,998,331.55	1,913,736.07	752,193.66	7,159,873.96
Enterprise annuity	12,891,067.94	26,963,133.64	32,788,617.88	7,065,583.70
Total	26,404,135.85	90,661,781.13	85,076,855.00	31,989,061.98

7.17. Taxes payable

Item	Closing Balance	Opening Balance
Value-added tax	416,220,575.79	210,917,636.38
Consumption tax	544,950,527.72	400,011,992.63
Enterprise income tax	580,497,468.84	289,699,536.39
Individual income tax	9,702,128.37	5,534,176.09
Urban maintenance and construction tax	55,496,044.38	43,402,175.65
Education surcharge	22,601,336.84	18,646,679.12
Local education surcharge	13,211,282.71	12,570,849.21
Property tax	389,027.85	1,206,827.35
Stamp duty	4,300,446.09	5,965,709.00
Land use tax	616,031.18	
Others	43,206.30	272,446.70

Item	Closing Balance	Opening Balance
Total	1,648,028,076.07	988,228,028.52

Other statements: The closing balance increased CNY 659,800,047.55 compared with the opening balance, with an increase by 66.77%, mainly due to the increase of enterprise income tax, value-added tax and consumption tax with the growth of sales income in the current period.

7.18. Other payables

Item	Closing Balance	Opening Balance
Dividends payable		4,500,000.00
Other payables	602,887,024.88	538,692,435.55
Total	602,887,024.88	543,192,435.55

7.18.1. Dividends payable

Item	Closing Balance	Opening Balance
Dividends due to ordinary shareholders		4,500,000.00
Total		4,500,000.00

Other statements include significant dividends payable overdue for over 1 year and outstanding reasons. The opening balance of the dividends payable to ordinary shares is the dividends payable of non-controlling shareholders of Pinchuang company, the Company's subsidiary. It was paid in this reporting period.

7.18.2. Other payables

7.18.2.1. Categories by nature

Item	Closing Balance	Opening Balance
Security deposit	543,339,684.25	497,716,438.39
Intercourse funds	28,265,598.58	34,340,599.33
Others	31,281,742.05	6,635,397.83
Total	602,887,024.88	538,692,435.55

7.18.2.2. Important other payables aging more than 1 year

There is no important other payables aging more than 1 year.

7.19. Long-term employee benefits payable

7.19.1. Long-term employee benefits payable table

Item	Closing Balance	Opening Balance
Other long-term benefits		7,929.00
Total		7,929.00 ¹

Note: The closing balance of other long-term welfare refers to the employee's internal retirement benefits that do not need to be fully paid in the last 12 months. It was the net liability calculated on the expenses paid to inner-retired staff by the Company until the retirement date at a discount rate of 4.22% which was interest rate of the five-year government bond of the previous year. As the end of the period, the Company no longer has relevant situation.

7.20. Deferred income

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance	Reason
Government grants	19,992,728.85	9,985,200.00	8,996,773.85	20,981,155.00	Reception of financial allocation
Total	19,992,728.85	9,985,200.00	8,996,773.85	20,981,155.00	--

Details:

Liability Item	Opening Balance	Increase in current period	Non-operating income in current period	Other income in current period	Cost reduction in current period	Other changes	Closing Balance	Related to assets/ income
Demonstration project of biomass gas production technology and equipment industrialization of brewing solid waste	1,250,000.00			516,666.67			733,333.33	Related to assets
Key technology research and industrialization project of artificial pit mud cultivation	280,000.00			280,000.00				Related to assets
Demonstration project of biomass gas technology and equipment industrialization from solid waste of brewing	400,000.00			400,000.00				Related to assets
Agricultural, industrial and social integration regional circular economy technology model and demonstration project	520,000.00			520,000.00				Relevant to asset
The second batch of provincial strategic emerging industry project	566,666.67			200,000.00			366,666.67	Related to assets
Modern warehousing logistics information operation and maintenance system construction project	583,333.33			583,333.33				Related to assets
The national service industry development guidance fund central base construction project	642,857.14			214,285.73			428,571.41	Related to assets
The central finance promotes the service industry development project	800,000.00			800,000.00				Related to assets
Luzhou agricultural science and technology park construction project	1,000,000.00					-400,000.00	600,000.00	Related to assets
Solid state brewing engineering capacity improvement project	1,125,000.00			375,000.00			750,000.00	Related to assets

Liability Item	Opening Balance	Increase in current period	Non-operating income in current period	Other income in current period	Cost reduction in current period	Other changes	Closing Balance	Related to assets/ income
Demonstration project of science and technology service of solid brewing industry for food safety and efficient production	1,241,117.98			15,344.82			1,225,773.16	Related to assets
Liquor circulation electronic traceability system phase I construction project	1,500,000.00			1,500,000.00				Related to assets
Luzhou Lao jiao Co.,Ltd. Logistics business spin-off project	1,750,000.00			600,000.00			1,150,000.00	Related to assets
Demonstration and application project of intelligent production line for liquor brewing and qu-making	2,780,000.00					-400,000.00	2,380,000.00	Related to assets
Standardization demonstration base project	2,972,677.19			1,082,300.39			1,890,376.80	Related to assets
Luzhou-flavor liquor brewing intelligent workshop new mode application project		4,000,000.00					4,000,000.00	Related to assets
New mode application project of digital workshop for solid state liquor production		3,465,000.00					3,465,000.00	Relevant to asset
Luzhou Laojiao automatic wine production line technical renovation project		500,000.00					500,000.00	Related to assets
Cooling water circulation and waste heat recovery of steamed bran in brewing workshop		500,000.00					500,000.00	Related to assets
Demonstration project of thermochemical energy and drying of brewing waste and coupling technology of brewing process		586,000.00					586,000.00	Related to assets
Demonstration project of thermochemical soil improvement materials and green planting of brewery waste		620,000.00					620,000.00	Related to income

Liability Item	Opening Balance	Increase in current period	Non-operating income in current period	Other income in current period	Cost reduction in current period	Other changes	Closing Balance	Related to assets/ income
Other projects - related to income	387,333.34			387,333.34				Related to income
Other projects - related to assets	2,193,743.20	314,200.00		722,509.57			1,785,433.63	Related to assets

Other statement:

The other change decreased CNY 800,000.00 in the current period was to transfer the project subsidy to the cooperative unit according to the project task book and the progress of project implementation.

7.21. Share capital

Item	Opening Balance	Increases/decreases in the current period (+, -)					Closing Balance
		Issuance of new shares	Bonds share	Conversion of reserves funds into shares	Others	Subtotal	
Total number of shares	1,464,752,476.00						1,464,752,476.00

7.22. Capital reserves

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Share premium(Capital premium)	3,536,865,466.83	1,735,994.66		3,536,865,466.83
Other capital reserves	6,654,234.80	171,419,326.19		179,809,555.65
Total	3,543,519,701.63	173,155,320.85		3,716,675,022.48

Statements of capital reserves include increase or decrease changes of various categories and reasons of changes in the current period

1. The increase in share premium in the current period was the difference between the acquisition price and the proportion of the identifiable net assets that the E-commerce company continues to calculate from the purchase date when the company acquired a minority shareholding in the subsidiary company, E-commerce company.
2. Huaxi Securities was listed on the Shenzhen Stock Exchange on 5 February 2018. The shareholding ratio of the Company holding Huaxi Securities was diluted from 12.99% before the listing to 10.39%. The increase in other capital reserves is the share of the book value of net assets of Huaxi Securities the Company enjoyed on the basis of shareholding ratio.

7.23. Other comprehensive income

Item	Opening Balance	Current period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit and loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Other comprehensive income that will be reclassified into profit and loss	171,227,292.19	-45,676,074.01		-11,688,752.39	-34,635,015.55	647,693.93	136,592,276.64
Including: Other comprehensive income that will be reclassified into profit and loss under equity method	1,988,702.29	-359,548.90			-359,548.90		1,629,153.39
Changes in fair value of available for sale financial assets	167,823,408.91	-46,755,009.43		-11,688,752.39	-35,066,257.04		132,757,151.87
Difference from conversion of financial statements in foreign currency	1,415,180.99	1,438,484.32			790,790.39	647,693.93	2,205,971.38
Total	171,227,292.19	-45,676,074.01		-11,688,752.39	-34,635,015.55	647,693.93	136,592,276.64

7.24. Surplus reserves

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Statutory surplus reserves	1,464,752,476.00			1,464,752,476.00
Total	1,464,752,476.00			1,464,752,476.00

Statements for surplus reserves include increase or decrease changes and change reasons this period:

The statutory surplus reserve is drawn at 10% of the parent company's net profit, and is limited to the parent company's share capital.

7.25. Undistributed profits

Item	Current Period	Previous Period
Undistributed profit before adjustment at the end of the last year	8,527,196,810.86	7,397,874,451.50
Total adjustment for undistributed profit at the beginning of year		-19,959,862.65
Undistributed profit after adjustment at the beginning of year	8,527,196,810.86	7,377,914,588.85
Plus: net profit attributable to owners of the parent company for the current period	3,485,643,008.98	2,557,944,598.97
Less: withdrawal of statutory surplus reserves		62,500,000.00
ordinary share dividends payable	1,830,940,595.00	1,346,162,376.96
Undistributed profits at the end of the period	10,181,899,224.84	8,527,196,810.86

7.26. Operating revenue and cost of sales

Item	Current Period		Previous Period	
	Revenue	Cost of sales	Revenue	Cost of sales
Primary business	12,859,523,825.56	2,878,994,470.11	10,114,600,585.81	2,859,769,882.87
Other business	195,941,935.99	55,007,388.80	280,266,907.65	58,045,173.65
Total	13,055,465,761.55	2,934,001,858.91	10,394,867,493.46	2,917,815,056.52

7.27. Business taxes and surcharges

Item	Current Period	Previous Period
Consumption tax	1,254,699,216.54	1,049,362,375.31
Urban maintenance and construction tax	186,133,761.82	146,723,195.28
Educational surcharge	79,725,865.40	62,064,859.14
Property tax	11,252,344.25	3,991,367.53
Land use tax	9,618,415.36	14,200,672.84
Stamp duty	11,077,748.47	12,730,883.34
Local education surcharge	53,171,925.46	46,032,938.33
Others	155,775.67	
Total	1,605,835,052.97	1,335,106,291.77

7.28. Selling and distribution expenses

Item	Current Period	Previous Period
Advertising promotion and marketing expense	2,641,767,107.45	1,879,646,808.80
Transportation and storage costs	215,414,715.67	220,015,711.84
Others	535,539,609.21	312,222,001.67
Total	3,392,721,432.33	2,411,884,522.31

Other statements:

The amount of this period increased CNY 980,836,910.02 compared with previous period, with an increase by 40.67%, mainly due to advertising and marketing promotion strengthened in the current period in order to enhance the brand influence and promote sales.

7.29. General and administrative expenses

Item	Current Period	Previous Period
Employee compensation	354,105,514.18	180,770,697.71
Depreciation and amortization	136,785,444.52	142,139,945.00
Management fee and service expense	55,198,156.70	27,225,557.31
Others	176,359,857.40	168,327,505.97
Total	722,448,972.80	518,463,705.99

Other statements:

The amount of this period increased CNY 203,985,266.81 compared with previous period, with an increase by 39.34%, mainly due to the expansion of the Company's scale, the increase in staff, and the increase in performance pay and bonuses.

7.30. Research and development expenses

Item	Current Period	Previous Period
Comprehensive research and development expenses	62,172,210.70	50,990,507.33
Total	62,172,210.70	50,990,507.33

7.31. Financial expenses

Item	Current Period	Previous Period
Interest expenses	64,698,037.12	34,356,638.97
Less: Interest income	280,805,447.66	145,682,879.58
Losses from currency exchange	-731,529.96	961,580.83
Amortization of unacknowledged financial charges		1,964.45
Handling charges	1,772,457.71	3,464,672.63
Total	-215,066,482.79	-106,898,022.70

Other statements:

1. Interest expenses mainly results from bank acceptance bill discounting.
2. The amount of this period decreased CNY 108,168,460.09 compared with previous period, with a decrease by 101.19%, mainly due to the increase of interest income on deposit resulting from stock funds in the current period.

7.32. Impairment losses

Item	Current Period	Previous Period
Bad debt loss	-2,035,339.62	448,154.45
Total	-2,035,339.62	448,154.45

Other statements:

The amount of this period decreased CNY 2,483,494.07 compared with previous period, with a decrease by 554.16%, mainly due to the decrease of accounts receivable and recovery for bad and doubtful debt in the current period.

7.33. Other income

Item	Current Period	Previous Period
Government grants	22,342,598.30	27,087,985.92
Individual income tax commission refund	1,749,728.51	56,873.65

7.34. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under the equity method	88,881,022.50	132,404,279.33
Investment income gained during the period of holding the available-for-sale financial assets	9,112,541.00	5,912,117.71
Total	97,993,563.50	138,316,397.04

Other statements:

There is no major restriction on the repatriation of the Company's investment income.

7.35. Gains from disposal of assets

Item	Current Period	Previous Period
Gains from disposal of non-current assets	-492,389.13	-4,256,543.78
Including: gains from disposal of fixed assets	-492,389.13	-4,256,543.78

7.36. Non-operating income

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Compensation for default	26,772,376.92	15,990,595.57	26,772,376.92
Others	4,460,100.29	9,846,325.80	4,460,100.29
Total	31,232,477.21	25,836,921.37	31,232,477.21

7.37. Non-operating costs

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Donation expenses	32,585,518.55	14,559,500.00	32,585,518.55
Losses from retirement of fixed assets	13,393,602.05		13,393,602.05

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Others	3,549,328.49	5,821,376.59	3,549,328.49
Total	49,528,449.09	20,380,876.59	49,528,449.09

Other statements:

The amount of this period increased CNY 29,147,572.50 compared with previous period, with an increase by 143.01%, mainly due to the donation expenses increased CNY 18,026,018.55 and the losses from retirement of fixed assets increased CNY 13,393,602.05.

7.38. Income tax expense

7.38.1. Statement of income tax expense

Item	Current Period	Previous Period
Current period income tax	1,173,293,516.03	886,383,123.71
Deferred income tax	-25,073,818.91	-54,689,373.40
Total	1,148,219,697.12 ¹	831,693,750.31 ²

Note:1. The amount of this period increased CNY 316,525,946.81 compared with previous period, with an increase by 143.01%, mainly due to the increase of profit.

2. Details of income tax rate in Note 6.Taxes

7.38.2. Adjustment for accounting profit and income tax expense

Item	Current Period Amount
Total profit	4,658,685,585.55
Income tax expenses determined by statutory/applicable tax rate	1,164,671,396.39
Impact from subsidiaries' different tax rates	-14,426,965.85
Impact from adjust for impact from income tax expense in previous period	-7,297,996.38
Impact from non-taxable income	-19,628,359.76
Impact from non-deductible costs, expenses and losses	15,638,804.09
Impact from deductible temporary difference or losses due to unrecognized deferred tax asset in current period	4,857,846.39
Impact from recovery for deductible temporary losses due to recognized deferred tax asset at early stage	4,404,972.24
Income tax expense	1,148,219,697.12

7.39. Other comprehensive income

Details in Note 7.23 Other comprehensive income

7.40. Notes to the statement of cash flow

7.40.1. Cash received from other operation activities

Item	Current Period	Previous Period
Government grants	23,331,024.45	17,166,817.40
Other receivables	91,393,724.75	

Item	Current Period	Previous Period
Interest income from bank deposit	263,400,471.52	141,431,303.89
Others	104,468,341.22	95,921,130.77
Total	482,593,561.94	254,519,252.06

Statement for cash received from other operation activities

The amount in current period increased CNY 228,074,309.88 compared with previous period, with an increase by 89.61%. Firstly, the Company recovered CNY 91,393,724.75 of saving deposits involving contract disputes. Secondly, the interest income on deposit increased CNY 121,969,167.63.

7.40.2. Cash paid for other operating activities

Item	Current Period	Previous Period
Cash paid for expenses	3,076,367,890.52	2,244,603,990.01
Payment of tourism bureau deposit	1,200,000.00	
Total	3,077,567,890.52	2,244,603,990.01

Statement for cash paid for other operation activities

The amount in current period increased CNY 832,963,900.51 compared with previous period, with an increase by 37.11%, mainly due to the increase in advertising and marketing promotion.

7.40.3. Cash paid for other investing activities

Item	Current Period	Previous Period
Net outflow of Internal adjustment		244,125,003.53
Cash paid for buying subsidiary - E-commerce company	9,604,800.00	
Total	9,604,800.00	244,125,003.53

7.41. Supplementary information to statement of cash flow

7.41.1. Supplementary information to statement of cash flow

Item	Current Period	Previous Period
1. Reconciliation of net profit to cash flow from operating activities	--	--
Net profit	3,510,465,888.43	2,602,024,285.09
Plus: provision for asset impairment	-2,035,339.62	448,154.45
Depreciation of fixed asset, oil and gas assets and productive biological assets	154,991,709.23	161,101,237.90
Amortization of intangible assets	9,059,775.10	8,301,452.51
Amortization of long-term deferred expenses	492,389.13	4,256,543.78
Losses from retirement of fixed assets (Gains use "-")	13,393,602.05	
Financial expenses (Gains use "-")	63,966,507.16	35,320,184.25
Losses on investments (Gains use "-")	-97,993,563.50	-138,316,397.04
Decrease in deferred income tax assets (Increase uses "-")	-25,073,818.91	-54,666,993.69
Increase in deferred income tax liabilities (Decrease uses "-")		-22,379.71
Decrease in inventories (Increase use "-")	-418,549,226.69	-298,091,290.60
Decrease in operating receivables (Increase use "-")	233,990,726.21	-452,241,323.24

Item	Current Period	Previous Period
Increase in operating payables (Decrease use "-")	855,207,369.65	1,835,620,588.19
Net cash flows from operating activities	4,297,916,018.24	3,703,734,061.89
2. Significant investing and financing activities not involving cash	--	--
3. Net change in cash and cash equivalents	--	--
Closing balance of cash	9,365,986,627.68	8,449,422,154.91
Less: opening balance of cash	8,449,422,154.91	4,826,248,031.74
Net change in cash and cash equivalents	916,564,472.77	3,623,174,123.17

7.41.2. Net cash paid during current period for subsidiaries' acquisitions

There is no net cash paid during current period for subsidiaries' acquisitions.

7.41.3. Net cash received during current period from disposing subsidiaries

There is no net cash received during current period from disposing subsidiaries.

7.41.4. Composition of cash and cash equivalent

Item	Opening Balance	Closing Balance
1. Cash	9,365,986,627.68	8,449,422,154.91
Including: Cash on hand	4,420.76	10,907.81
Unrestricted bank deposit	9,364,716,075.36	8,449,228,764.97
Other unrestricted cash and cash equivalents	1,266,131.56	182,482.13
2. Closing balance of cash and cash equivalents	9,365,986,627.68	8,449,422,154.91

Other statements:

The difference between the closing balance of cash and cash equivalents and cash at bank and on hand is CNY 1,400,000.00, which is a travel service deposit with limited use rights in other cash and cash equivalents.

7.42. Assets with restricted ownership or use rights

Item	Closing Book Balance	Reason for Restriction
Other cash and cash equivalents	1,400,000.00	According to the regulations of tourism bureau, travel service deposit is deposited in a designated bank.
Total	1,400,000.00	--

7.43. Foreign currency transactions

7.43.1. Foreign currency transactions

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in CNY
Cash at Bank and on Hand	--	--	115,442,541.42
Including: USD	16,383,718.02	6.8632	112,444,733.50
EUR			
HKD	3,366,299.20	0.8762	2,949,551.36

Item	Closing Balance in Foreign Currency	Exchange Rate	Closing Balance in CNY
AUD	10,001.36	4.8250	48,256.56
Accounts Receivable	--	--	1,003,841.49
Including: USD	146,264.35	6.8632	1,003,841.49
EUR			
HKD			
Long-term Loans	--	--	
Including: USD			
EUR			
HKD			
Advance from Customers			935,519.13
Including: HKD	738,200.77	0.8762	646,811.51
USD	22,038.16	6.8632	151,252.30
AUD	28,488.15	4.8250	137,455.32
Other Receivables			3,733,469.76
Including: HKD	1,236,852.82	0.8762	1,083,730.44
USD	304,493.25	6.8632	2,089,798.07
AUD	116,050.00	4.8250	559,941.25
Accounts Payable			1,255,351.19
Including: HKD	493,103.36	0.8762	432,057.16
USD	119,957.75	6.8632	823,294.03
Other Payables			15,766,894.83
Including: HKD	4,975,591.67	0.8762	4,359,613.42
USD	1,662,093.69	6.8632	11,407,281.41

7.43.2. Description of the foreign business entity, including the important foreign business entity, shall disclose its main foreign business place, bookkeeping standard currency and selection basis, and shall also disclose the reason for the change of the bookkeeping standard currency

√ Applicable ☐ N/A

Company	Operation site	Bookkeeping currency	Choosing Reason
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	Hong Kong, China	HKD	Currency in the registration place
Mingjiang Co., Ltd.	New York, USA	USD	Currency in the registration place

7.44. Government grants

7.44.1. Details of government grants

Item	Amount	Presentation	Amount included in profit or loss of the current period
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Item	Amount	Presentation	Amount included in profit or loss of the current period
Related to assets	20,361,155.00	Deferred income	7,809,440.51
Related to income	620,000.00	Deferred income	387,333.34
Related to income	14,145,824.45	Other income	14,145,824.45

8. Changes in consolidated scope

8.1. Business combination not under common control

8.1.1. Business combination not under common control during current period

There is no business combination not under common control during current period.

8.2. Business combination under common control

8.2.1. Business combination under common control during current period

There is no business combination under common control during current period.

8.3. Reverse purchase

The basic information of the transaction, the basis of the transaction constitutes the reverse purchase, whether the assets and liabilities retained by the listed company constitute the business and its basis, the determination of the merger cost, and the adjustment of the equity amount and its calculation according to the equity transaction:

There is no reverse purchase during current period.

8.4. Disposing subsidiaries

Whether there is a situation of losing control after disposing the investment in the subsidiary only once

☐ Yes ☒ No

Whether there is a situation of disposing the investment in the subsidiary through several transactions step by step and losing control during the period

☐ Yes ☒ No

8.5. Consolidated scope changes due to other reasons

Explain other reasons for changing consolidated scope (such as establishing a new subsidiary, liquidating a subsidiary) and its related situation.

As mentioned in the Note 3.6, the newly merged enterprises include: In this year, Sales Company of Luzhou Laojiao Co., Ltd., a wholly-owned subsidiary of the Company, invested and established Luzhou Laojiao fruit wine industry Co., Ltd. and Mingjiang Co.Ltd., which holds 41% and 54% shares respectively. The reduced merged enterprise is the canceled the subsidiary, Luzhou Laojiao Guibin Service Co., Ltd.

9. Interests in other entities

9.1. Interests in subsidiaries

9.1.1. Group Composition:

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding Proportion		Acquisition method
				Direct	Indirect	
Luzhou Laojiao Brewing Co., Ltd.	Luzhou	Luzhou	Liquor manufacture and sales	100.00%		Investment
Luzhou Boda Brewing Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.	Luzhou	Luzhou	Agricultural product planting and sales		60.00%	Business combination under common control
Sales Company of Luzhou Laojiao Co., Ltd.	Luzhou	Luzhou	Liquor sales	100.00%		Investment
Luzhou Laojiao Nostalgic Liquor Marketing Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Laojiao Custom Liquor Co., Ltd.	Luzhou	Luzhou	Liquor sales		15.00%	Investment
Luzhou Laojiao Selected Supply Chain Management Co., Ltd.	Luzhou	Luzhou	Supply chain management; sales		100.00%	Investment
Luzhou Dingli Liquor Industry Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Dingyi Liquor Industry Sales Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Dinghao Liquor Industry Sales Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Laojiao Import and Export trade Co., Ltd.	Luzhou	Luzhou	Import and export trade		100.00%	Investment
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	Luzhou	Luzhou	Liquor sales		75.00%	Investment

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding Proportion		Acquisition method
				Direct	Indirect	
Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.	Luzhou	Luzhou	Liquor sales		75.00%	Investment
Luzhou Laojiao Guibin Service Co., Ltd.	Luzhou	Luzhou	Business services, wine sales		95.00%	Investment
Luzhou Laojiao Fruit Wine Industry Co., Ltd.	Luzhou	Luzhou	Fruit wine sales		41.00%	Investment
Mingjiang Co., Ltd.	USA	USA	Liquor sales		54.00%	Investment
Luzhou Pinchuang Technology Co., Ltd.	Luzhou	Luzhou	Technology development and service	95.00%		Investment
Luzhou Laojiao Tourism Culture Co., Ltd.	Luzhou	Luzhou	Liquor sales, tourism	100.00%		Investment
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Wine sales	55.00%		Investment
Luzhou Laojiao Electronic Commerce Co., Ltd.	Luzhou	Luzhou	Liquor sales	90.00%		Investment
Luzhou Laojiao Baitiao Liquor Industry Co., Ltd.	Luzhou	Luzhou	Concoction of wine sales		35.00%	Investment
Luzhou Baonuo Biotechnology Co., Ltd.	Luzhou	Luzhou	Fermented product manufacture	100.00%		Investment
Luzhou Laojiao Health Liquor Industry Co., Ltd.	Luzhou	Luzhou	Health care wine manufacture and sales	100.00%		Business combination under common control
Luzhou Laojiao Health Sales Co., Ltd.	Luzhou	Luzhou	Health care wine sales		100.00%	Business combination under common control

Statement for that the proportion of share-holding is different from the proportion of voting rights:

As the Note 3.6, the Company holds less than 51% shares of Luzhou Laojiao Custom Liquor Co., Ltd., Luzhou Laojiao fruit wine industry Co., Ltd., and Luzhou Laojiao Baitiao Liquor Industry Co., Ltd. but in these companies' board, among the five members, the Company have sent three person, which is in the majority. The Company has substantial control over these companies, so they are included in the

consolidation scope.

9.1.2. Important non-wholly-owned subsidiaries

Name of subsidiary	Proportion of share holdings of non-Controlling shareholders	Gains and losses attributable to non-Controlling shareholders during current period	Dividends paid to non-controlling shareholders during current period	Closing balance of non-controlling shareholders interest
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	25.00%	-59,978.67		83,287,621.26
Luzhou Laojiao Custom Liquor Co., Ltd	85.00%	12,588,867.22		34,183,184.06

9.1.3. Major financial information of important non-wholly-owned subsidiaries

Name of subsidiary	Closing Balance				Opening Balance							
	Current assets	Non-current assets	Total assets	Current Liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	1,166,879,541.23	8,708.99	1,166,888,250.22	833,737,765.21		833,737,765.21	1,133,316,438.78	2,249,387.40	1,135,565,826.18	801,894,834.55		801,894,834.55
Luzhou Laojiao Custom Liquor Co., Ltd	84,545,682.39	866,940.67	85,412,623.06	45,197,112.41		45,197,112.41	63,655,919.80	412,775.56	64,068,695.36	38,663,616.73		38,663,616.73

Name of subsidiary	Current Period			Previous Period				
	Operating revenue	Net profit	Total comprehensive income	Operating cash flow	Operating revenue	Net profit	Total comprehensive income	Operating cash flow
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	2,493,854,876.92	-303,651.51	-303,651.51	16,457,683.16	2,405,756,993.61	83,648,582.41	83,648,582.41	-304,677,182.86
Luzhou Laojiao Custom Liquor Co., Ltd	163,005,460.59	14,810,432.02	14,810,432.02	15,388,726.32	121,336,926.80	17,896,450.80	17,896,450.80	13,293,051.34

9.1.4. Significant limitations for using group assets and paying off group liabilities

There are no significant limitations for using group assets and paying off group liabilities.

9.1.5. Financial support and other support provided to the structure subjects that are incorporated into the scope of consolidated financial statements

There are no structure subjects that are incorporated into the scope of consolidated financial statements.

9.2. Transactions that change owners' equity share of the subsidiary and still control the subsidiary

9.2.1. Statements for the changes of owners' equity share of the subsidiary

As stated in Note 3.6 note 5, until 31 December 31 2018, the registered capital of E-commerce company was CNY 60 million, and the Company's subscribed capital contribution was CNY 54 million, whose shareholding ratio was 90.00%.

9.2.2. Impact of the transactions on non-controlling interests and equity attributable to the parent company

	June 2018	September 2018	Total
--Cash	8,866,000.00	738,800.00	9,604,800.00
Total purchase cost/ disposal consideration	8,866,000.00	738,800.00	9,604,800.00
Less: share of net assets of the subsidiary calculated at the proportion acquired /disposed	10,308,361.72	1,032,432.94	11,340,794.66
Difference	-1,442,361.72	-293,632.94	-1,735,994.66
Including: adjust capital reserves	1,442,361.72	293,632.94	1,735,994.66

9.3. Interests in joint ventures and associates

9.3.1. Important joint ventures and associates

Name of joint venture/associates	Major business location	Place of registration	Business nature	Shareholding Proportion		Accounting Method
				Direct	Indirect	
Important joint ventures: none						
Important associates:						
Huaxi Securities Co., Ltd.	Chengdu, Sichuan province	Chengdu, Sichuan province	Securities	10.39%		Equity method

Statement for that the proportion of shareholdings in joint ventures or associates is different from the proportion of voting rights:

The basis of holding less than 20% of the voting rights in other entities but having significant influence or holding 20% or more than 20% of the voting rights in other entities but having insignificant influence:

On 5 February 2018, Huaxi Securities was listed on the Shenzhen Stock Exchange. The shareholding ratio of the Company holding Huaxi Securities was diluted from 12.99% before the listing to 10.39%. The Company has sent directors to the board of Huaxi Securities and has the corresponding substantive decision-making power, so the Company still has significant influence on Huaxi Securities.

9.3.2. Major financial information of important associates

	Closing Balance/Amount in Current Period	Opening Balance/Amount in Previous Period
	Huaxi Securities Co., Ltd.	Huaxi Securities Co., Ltd.
Current assets	39,285,470,127.19	42,341,287,994.61
Non-current assets	7,495,424,200.01	8,175,472,282.46
Total assets	46,780,894,327.20	50,516,760,277.07
Current liabilities	22,645,172,995.67	32,512,916,865.11
Non-current liabilities	5,735,587,548.65	5,183,876,316.48
Total liabilities	28,380,760,544.32	37,696,793,181.59
Non-controlling shareholder interest	44,260,373.43	62,636,144.96
shareholder interest attributable to parent company	18,355,873,409.45	12,757,330,950.52
Share of net assets calculated based on shareholding proportion	1,907,830,072.92	1,657,427,236.96
Book value of equity investments in associate companies	2,075,296,808.82	1,824,893,972.85
Fair value of equity investments in associate companies that have public quote	2,283,596,675.28	
Operating revenue	2,545,233,363.80	2,671,626,421.94
Net profit	845,132,348.07	1,019,988,335.17
Other comprehensive income	-9,197,741.57	-46,360,450.51
Total comprehensive income	835,934,606.50	973,627,884.66

	Closing Balance/Amount in Current Period	Opening Balance/Amount in Previous Period
	Huaxi Securities Co., Ltd.	Huaxi Securities Co., Ltd.
Dividends from associate companies this year	10,367,583.46	13,641,557.20

9.3.3. Financial information summarized of unimportant joint ventures and associate companies

	Closing Balance/Amount in Current Period	Opening Balance/Amount in Previous Period
Joint ventures:	--	--
Total following items calculated on the basis of shareholding proportion	--	--
Associate companies:	--	--
Total book value of investments	15,806,539.78	
Total following items calculated on the basis of shareholding proportion	--	--
--Net profit	-829,619.65	
-- Total comprehensive income	-829,619.65	

Other statements:

As stated in Note 7.8. note 2, the Company acquired 42% equity of Sichuan Development Wine Investment Co., Ltd. in 2018, and has a significant impact on it, using the equity method as an associated enterprise.

10. Risks related to financial instruments

Business activities of a company usually face various financial risks, mainly credit risk, liquidity risk and market risk. The Company's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Company's financial performance.

10.1. Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot perform its obligations, causing financial losses to the other party. The Company only trades with recognized, reputable, and large third parties. In accordance with the Company's policy, the terms of sale with customers are based on transactions of payment before delivery, with only a small amount of credit transactions, and credit review for all customers who require credit to trade. In addition, the Company continuously monitors and controls the balance of the receivables to ensure that the Company does not face significant bad debt risks.

10.2. Liquidity risk

Liquidity risk refers to the risk unable to obtain sufficient funds in time to meet business development needs or to repay debts due and other payment obligations. The Company

has sufficient working capital, and in recent years there has been no external borrowing to supplement the working capital of daily operating activities. The liquidity risk is extremely small.

The total budget investment of the Company's Technical renovation project of brewing is CNY 7,414,280,000.00, and the first phase of the project's budget is CNY 3,340,810,000.00. The Company will use raised funds of CNY 2,952,735,000.00, which was approved by the CSRC in July 2017 for the first phase. The balance will be supplemented by self-financed funds about CNY 388,075,000.00. This project will not have a significant impact on the liquidity of funds.

10.3. Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

10.3.1. Foreign exchange risk

The Company's main business is located in the mainland of China, and main business is settled in CNY. Only two subsidiaries, Hong Kong company and Mingjiang company, settle in HKD in Hong Kong and USD in the United States respectively. The proportion and impact of their income and profit scale are negligible, and the foreign exchange risk is minimal.

10.3.2. Rate risk

The Company's operating capital is sufficient and in recent years there has been no external borrowing, so interest rate risk is minimal.

10.3.3. Other price risks

Other price risk refers to the risk of fluctuation caused by market price changes other than foreign exchange risk and interest rate risk, whether these changes are caused by factors related to a single financial instrument or its issuer or all similar financial instruments traded in the market. Other price risks faced by the Company mainly come from available-for-sale financial assets measured at fair value.

11. Fair Value Disclosure

11.1. Closing fair value of assets and liabilities measured at fair value

Item	Closing fair value			
	Level 1	Level 2	Level 3	Total
1. Continuous measurement at fair value	--	--	--	--
(2) Equity instrument investment	190,758,692.59			190,758,692.59

Item	Closing fair value			
	Level 1	Level 2	Level 3	Total
2. Discontinuous measurement at fair value	--	--	--	--

11.2. Determination basis of the market value of items measured continuously and discontinuously within Level 1 of the fair value hierarchy

Open market prices

12. Related parties and related party transactions

12.1. The Parent company of the Company

Parent company	Registration place	Business nature	Registered capital	Shareholding proportion by the parent company	Voting rights proportion by the parent company
Luzhou Laojiao Group Co., Ltd.	Luzhou, Sichuan	Brewing and Food Industry	2,798,818,800.00	26.02%	51.01%

Statements for situation of parent company:

The nature of parent company: Limited liability company (wholly state-owned);

Registration place: Ai Rentang Square, China Liquor Golden Triangle Wine Industry Park, Luzhou, Sichuan Province;

Business Scope: Investment and asset management; investment in liquor, food, finance, trade, logistics, education, medical and health, cultural tourism, Internet industry; holding company services; social economic consulting, business management consulting; enterprise management services; supply chain management services; import and export business and trade agency; food production, sales (including online); planting and sales of crops (including online). (The Company cannot start business activities until projects subject to approval according to law are approved by relevant departments.)

The final control party of the Company is SASAC of Luzhou.

12.2. Subsidiaries of the Company

For details please see Note 9.1. Interests in subsidiaries

12.3. Joint ventures and associates of the Company

For details please see Note 9.3. Interests in joint ventures and associates

Other joint ventures or associates that have related party transactions with the Company in the current period or in the previous period and result in balance are as follows:

There are no other joint ventures or associates that have related party transactions with the Company in the current period or in the previous period and result in balance.

12.4. Other related party of the Company

Name of Other Related Party	Relationship with the Company
Luzhou Laojiao Construction and Installation	Wholly-owned subsidiary of the parent company

Name of Other Related Party	Relationship with the Company
Engineering Co. Ltd.	
New Shottes Brook Private Company	Wholly-owned subsidiary of the parent company
Luzhou Lianzhong Logistics Co. Ltd.	Wholly-owned subsidiary of the parent company
Luzhou Laojiao Industrial Investment Management Co., Ltd.	Wholly-owned subsidiary of the parent company
Luzhou Laojiao Real Estate Development Co., Ltd.	Wholly-owned subsidiary of the parent company
Huaxi Securities Co., Ltd.	Associate company and holding subsidiaries of the parent company
Luzhou Xinglu Water (Group) Co., Ltd.	Holding subsidiary of the second largest shareholder
Luzhou Huarun Xinglu Gas Co., Ltd.	Holding subsidiary of the second largest shareholder
Laojiao Group and its other subsidiaries	Wholly-owned subsidiary of the parent company
Luzhou Xinglu Touzi Jituan Co., Ltd. and its other subsidiaries	Holding subsidiary of the second largest shareholder of the Company

Other statement:

On 31 December 2015, Laojiao Group and Xinglu Group, the second biggest shareholder, signed a concerted action agreement that when the parties in deal with the Company's business development and make decisions by shareholders meeting and board of directors according to the company law and other relevant laws and regulations and the articles of association, the parties should adopt the consistent actions. The agreement is valid as of 13 December 2015 and ends on 1 June 2021. During the effective period of this agreement, before any party submits proposals involving the major issues of the Company's business development to the shareholders meeting or exercise the voting rights at the shareholders meeting and the board of directors, the internal coordination for relevant proposals and voting events shall be conducted by persons acting in concert. If there are different opinions, it will be subject to Laojiao Group's opinion. In view of this, the Company will disclose the transactions with Xinglu Group and its controlling enterprises as other related parties of the Company.

12.5 Related transactions

12.5.1. Related transactions of purchase and sales of goods / rendering and receipt of services

Table of purchase of goods / receipt of services

Name of Related Party	Transaction	Amount in current period	Approved trading amount	Whether over approved trading amount	Amount in previous period
Receipt of services:					
Luzhou Lianzhong Logistics Co. Ltd.	Storage and transport service	17,604,367.59		Yes	
Luzhou Xinglu Touzi Jituan Co., Ltd. and its other subsidiaries	Property management fee ,etc.	1,911,100.00		Yes	1,900,772.00

Name of Related Party	Transaction	Amount in current period	Approved trading amount	Whether over approved trading amount	Amount in previous period
Laojiao Group and its other subsidiaries	Training, accommodation services, etc.	655,704.88		Yes	731,713.22
Huaxi Securities Co.,Ltd.	Sponsor and underwriting fees of private share placement				32,320,000.00
Luzhou Laojiao Construction and Installation Engineering Co. Ltd.	Construction funds and maintenance costs				193,924.12
Purchase of goods					
New Shottes Brook private company	Red wine	66,793,476.33		No	26,971,264.99
Luzhou Laojiao Industrial Investment Management Co. , Ltd.	Land, etc.	26,292,000.00		No	
Luzhou Xinglu Water (Group) Co., Ltd.	Water	4,441,998.74		Yes	631,853.92
Luzhou Huarun Xinglu Gas Co., Ltd.	Gas, etc.	3,782,843.32		Yes	3,370,428.64
Laojiao Group and its other subsidiaries	Water, power, etc.	512,783.17		Yes	
Laojiao Group	Acquisition of 30% equity of Sichuan Development Wine Investment Co., Ltd. held by Laojiao Group	10,594,650.00		No	

Table of sales of goods and rendering of service

Name of Related Party	Transaction	Amount in current period	Amount in previous period
sales of goods:			
Laojiao Group and its subsidiaries	Wine, etc.	318,580.42	4,154,856.17
Xinglu Group and its subsidiaries	Wine	586,044.00	1,883,992.00
Rendering of service:			
Laojiao Group	Rendering of service	1,190,880.00	

12.5.2. Related party leasing

The Company as lessee:

Name of lessor	Type of leased asset	Leasing fee recognized during current period	Leasing fee recognized during previous period
Luzhou Laojiao Real Estate Development Co. Ltd.	House lease	1,851,227.44	

12.5.3. Key management compensation

Item	Amount in current period	Amount in previous period
Key management	6,977,200.00	9,799,682.10

12.6. Receivables and payables of related parties**12.6.1. Receivables**

Item	Related party	Closing Balance		Opening Balance	
		Book value	Provision for bad debt	Book value	Provision for bad debt
Prepayment	New Shottes Brook private company	18,086,370.77		30,974,021.43	
Prepayment	Luzhou Xinglu Water (Group) Co., Ltd.	4,377.45			
Prepayment	Sichuan Kangrun Investment Group Co., Ltd.	10,000.00			
Accounts receivable	Luzhou Yongsheng Asset Operation and Management Co., Ltd.	1,526.40			

12.6.2. Payables

Item	Related party	Closing Balance	Opening Balance
Other payables	Luzhou Laojiao Construction and Installation Engineering Co. Ltd.	34,175.78	628,505.15
Other payables	Luzhou Liquor Industry	154,352.70	154,352.70

Item	Related party	Closing Balance	Opening Balance
	Concentration Development Zone Brewing Co. Ltd.		
Advance from customers	Luzhou Laojiao Zhitong Trading Co., Ltd.	900,866.00	39,998.00
Advance from customers	Luzhou Laojiao Group Co., Ltd.	1,680.00	1,680.00
Advance from customers	Sichuan Hongxin Financing Guarantee Co. Ltd.		7,745.00
Advance from customers	Luzhou laojiao business school	840.00	
Accounts payable	Luzhou Huarun Xinglu Gas Co., Ltd.	382,967.14	
Accounts payable	Luzhou Laojiao Real Estate Development Co., Ltd.	20,255.07	
Accounts payable	Luzhou Lianzhong Logistics Co. Ltd.	946,701.22	
Accounts payable	Luzhou laojiao business school	4,100.00	

13. Share-based payment

13.1. Overall Share-based payment

☐ Applicable ☒ N/A

13.2. Equity-settled share-based payment

☐ Applicable ☒ N/A

13.3. Cash-settled share-based payment

☐ Applicable ☒ N/A

14. Commitments and Contingencies

14.1. Contingencies

14.1.1. Significant contingencies at the balance sheet date

On 15 October 2014 and 10 January 2015, the Company disclosed three saving deposits involving contract disputes in Agricultural Bank of China Changsha Yingxin Branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou Branch and another bank, with a total amount of CNY 50 million. The public security organization has investigated, and the investigation of related cases and the preservation of assets are under way. The Company has initiated a civil procedure to recover the loss from the responsible unit, among them:

The criminal case with saving deposits involving contract disputes in Agricultural Bank of

China Changsha Yingxin branch with amount of CNY 15 million was decided by Changsha Intermediate People's Court in the first instance, and then maintained by Hunan Higher People's Court in the second instance. The amount involved in the case was ultimately determined to be CNY 149,425,000.00. The Company recovered CNY 10,379,900.00 of returned deposits from Agricultural Bank of China Changsha Yingxin Branch.

The Company has filed a lawsuit with Sichuan Higher People's Court about the saving deposits involving contract disputes in Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou branch with amount of 15 million. Sichuan Higher People's Court ruled that the case should be transferred to the Henan Higher People's Court. Henan Higher People's Court considered that due to the involvement of criminal cases, its trial should be based on the results of criminal case. The case has not yet been settled and proceedings are suspended.

The Company referred to another deposit of CNY 20 million in the *Notice of Significant Events* No. 2015-1 on 17 April 2015, recovering a total of CNY 182,163,800.00 as the end of 31 December 2018.

Except for the above matters, the Company has no other significant contingencies that need to be disclosed as the end of 31 December 2018.

15. Post balance sheet event

15.1. Profit distribution

Unit: CNY

Profit or dividend planned to be distributed	2,270,366,337.80
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15.2. Sales return

There are no important sales returning after balance sheet date.

15.3. Statement for other post balance sheet events

(1) Investment planned in establishing Luzhou Laojiao Wine E-commerce Co

The 6th meeting of the ninth board of directors was held on 28 January 2019 by means of communication voting. The meeting reviewed and approved the *Proposal on the Subsidiary's Investment in Establishing Luzhou Laojiao Wine E-Commerce Co., Ltd.*, and the Company agreed that its subsidiary, Luzhou Laojiao E-Commerce Co., Ltd. invested in establishing a wholly-owned subsidiary, Luzhou Laojiao Wine E-Commerce Co., Ltd., whose registered capital is CNY 5 million and is mainly engaged in e-commerce sales of imported wine, grape juice and other products.

(2) Investment planned in establishing Luzhou Laojiao Baidiao E-commerce Co. by investment

The 6th meeting of the 9th Board of Directors was held on 28 January, 2019 by means of

communication voting. The meeting reviewed and approved the *Proposal on the Subsidiary's Investment in Establishing Luzhou Laojiao Baidiao E-Commerce Co., Ltd.*, and the Company agreed that its subsidiary, Luzhou Laojiao E-Commerce Co., Ltd. invested in establishing a wholly-owned subsidiary, Luzhou Laojiao Baidiao E-Commerce Co., Ltd., whose registered capital is CNY 3 million and is mainly engaged in e-commerce sales of pre-mixed liquor, oak barrel liquor and other products.

(3) Investment in establishing Chengdu Tianfu Panda Baidiao Liquor Co., Ltd. by investment

The 4th meeting of the ninth Board of Directors was held on 26 October, 2018 by live and video conference. The meeting reviewed and approved the *Proposal on the Subsidiary's Investment in Establishing Chengdu Tianfu Panda Baidiao Liquor Co., Ltd.* The Company agreed that the subsidiary, Luzhou Laojiao Baidiao Liquor Co., Ltd. and Chengdu Tianfu Panda Culture Communication Co., Ltd. jointly invested and established Chengdu Tianfu Panda Liquor Co., Ltd., whose registered capital is CNY 5 million. Luzhou Laojiao Baidiao Liquor Co., Ltd. invested CNY 3 million by cash, accounting for 60% of the total share capital, and was controlling shareholder; Chengdu Tianfu Panda Culture Communication Co., Ltd. invested CNY 2 million, accounting for 40% of the total share capital. The company was established on 26 February 2019.

(4) Luzhou Boda Brewing Co., Ltd., a subsidiary of the Company, has been canceled
On May 29 2018, the 28 meeting of the eighth board of directors reviewed and approved the *"About the cancellation of Luzhou Boda Brewing Co., Ltd."*. Due to business adjustment in recent years, Luzhou Boda Brewing Co., Ltd. has not conducted the actual production and operation activities, therefore, the Company decided to cancel it. It does not have a significant impact on the Company's financial position and operating results. Luzhou Boda Brewing Co., Ltd. has obtained the notice of approval of cancellation on 25 March 2019.

Except for the above matters, the Company has no other post balance sheet events that need to be disclosed up to 25 April 2019.

16. Other Important Information

16.1. Annuity plan

The Company carried out the enterprise annuity payment work normally in 2018. In 2018, according to the relevant provisions of the *Enterprise Annuity Methods* (Order No. 36 of the Ministry of Human Resources and Social Security), the Company revised the *Luzhou Laojiao Co., Ltd. Enterprise Annuity Plan* on 1 December 2018. After discussion and decision of the Workers' Congress on 28 December 2018, it was filed a record through the Ministry of Human Resources and Social Security of Luzhou on 25 February 2019.

After the revision of the new enterprise annuity method, the enterprise annuity funds are paid by both the Company and employees. The Company's contribution shall not exceed

8% of the Company's total salary in the previous year as stipulated by the state, and the individual contribution shall be withheld by the Company according to 1% of total salary of the employee in the previous year.

16.2. Segment information

16.2.1. If the Company has no reporting segment or cannot disclose total assets and total liabilities of reporting segments, the reason should be disclosed.

Except for the business on wine sales, the Company does not operate other businesses that have a significant impact on operation results. In addition, the Company operates mainly in one area, revenue mainly from China and main assets also located in China, so the Company does not need to disclose segment data.

16.3. Other significant events that can affect investors' decision

(1) Saving deposits involving contract disputes

As stated in Note 14.1, three saving deposits involved contract disputes in Agricultural Bank of China Changsha Yingxin Branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou Branch and another bank, with a total amount of CNY 50 million. At present, the investigation of related cases and the preservation of assets have been under way. The Company has initiated a civil procedure to recover the loss from the responsible unit.

Based on the amount of assets preserved by the public security organization at present and professional legal opinions issued by Beijing Weiheng (Chengdu) Law Firm on 6 January 2019, the Company has made provision for bad debts on savings deposits involving contract disputes of CNY 200 million. In the future, the amount of bad debts may be adjusted along with the process and recovery of cases.

(2) Progress of technical renovation project of brewing invested by subsidiary

Based on the Company's development strategy, the "13th Five-Year Plan" and deep analysis of the liquor industry and the actual situation of the Company itself, the Company invested in the implementation of technical renovation project of brewing with Brewing Company, the wholly-owned subsidiary, as the main body. The total investment of the project is CNY 7,414,280,000, and the required funds are solved by the Company with owned funds and other financing methods. At present, the project has invested a total of CNY 2,362,483,700.00, and the completion ratio has been 40%.

(3) State-owned shareholders signed a concerted action agreement

On 31 December 2015, the state-owned shareholders and Xinglu Group signed a concerted action agreement that when the parties in deal with the Company's business development and make decisions by shareholders meeting and board of directors according to the Company law and other relevant laws and regulations and the articles of association, the parties should adopt the consistent actions. The agreement is valid as of 31 December 2015 and ends on 1 June 2021. The signed agreement helps state-owned shareholders further improve and clear ownership relations, standardize corporate

governance. After the signing, the Company's shareholding structure has not changed. The controlling shareholder is still Laojiao group, and the ultimate controlling is still SASAC of Luzhou.

(4) To acquire part of the equity of Luzhou Pinchuang Technology Co., Ltd.

The 5th meeting of the ninth Board of Directors reviewed and approved the *Proposal on Purchase of part Equity Related Transactions of Luzhou Pinchuang Technology Co., Ltd.* on 28 December 2018. The Company has decided to purchase all 5% of Luzhou Pinchuang Technology Co., Ltd. owned by Luzhou Sanxiang Technology Services Department with its own capital at the estimated price of CNY 10,149,100.00. As the end of the period, the equity acquisition has not been completed.

(5) Plan to establish Luzhou Baitiao Tongdao Uncle Constellation Wine Sales Co., Ltd.

On December 28, 2018, the Company's fifth board meeting of ninth board of directors reviewed and approved the "About plan to establish Luzhou Baidiao Tongdao Uncle Constellation wine sales Co., Ltd." It agreed that Luzhou Laojiao Baitiao Liquor Industry Co., Ltd., a subsidiary of the Company and Shenzhen Tongdao Uncle Culture Communication Co., Ltd. jointly invest and establish Luzhou Baitiao Tongdao Uncle Constellation Wine Sales Co., Ltd. The registered capital of the company is CNY 5 million, among which Luzhou Laojiao Baitiao Liquor Industry Co., Ltd. contributes CNY 3.5 million in cash, accounting for 70% of the total capital stock, and it is the controlling shareholder. Shenzhen Tongdao Uncle Culture Communication Co., Ltd. contributed CNY 1.5 million, accounting for 30% of the total capital stock.

Except for the above matters, the Company has no other significant events that can affect investors' decision that need to be disclosed up to 31 December, 2018.

17. Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is CNY, except other statements)

17.1. Notes and accounts receivable

Item	Closing Balance	Opening Balance
Accounts receivable	67,698.43	86,250.43
Total	67,698.43	86,250.43

17.1.1. Accounts receivable**17.1.1.1. Analysis by categories**

Type	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Accounts receivables tested for impairment on the portfolio with characteristics of credit risk	68,103.61	100.00%	405.18	0.59%	67,698.43	91,856.79	100.00%	5,606.36	6.10%	86,250.43
Total	68,103.61	100.00%	405.18	0.59%	67,698.43	91,856.79	100.00%	5,606.36	6.10%	86,250.43

Accounts receivable with significant single amount and tested for impairment individually:

☐ Applicable ☒ N/A

An analysis of provision under the aging analysis method:

☒ Applicable ☐ N/A

Aging	Closing Balance		
	Accounts receivable	Provision for bad debt	Proportion
Classification of within 1 year			
Risk free	60,000.00		
Within 1 year	8,103.61	405.18	5.00%
Subtotal	68,103.61	405.18	0.59%
Total	68,103.61	405.18	0.59%

Statements for determining the portfolio:

Accounts receivables using balance percentage method to provide bad debt:

☐ Applicable ☒ N/A

17.1.1.2. Provision and recovery for bad and doubtful debt in the current period

The provision allowance of current period is CNY -5,201.18. The recovery of current period is CNY 0.00.

17.1.1.3. Accounts receivable actually written off during the reporting period

Statements for accounts receivable written off:

There is no accounts receivable actually written off during the reporting period.

17.1.1.4. Top five entities with the largest balances of accounts receivable

The sum of top five entities with the largest balances of accounts receivable is CNY 68,103.61, accounting for 100% of the closing balance of accounts receivable, and the corresponding provision for bad debt is CNY 405.18.

17.1.1.5. Derecognition of accounts receivables due to transfer of financial assets

There is no derecognition of accounts receivables due to transfer of financial assets during the reporting period.

17.1.1.6. Amount of assets and liabilities resulting from transfer of accounts receivables and continuing involvement

There are no assets and liabilities resulting from transfer of accounts receivables and continuing involvement during the reporting period.

17.2. Other receivables

Item	Closing Balance	Opening Balance
Interest receivable	29,970,944.44	11,167,975.69
Other receivables	4,627,756,101.58	5,604,515,648.88
Total	4,657,727,046.02	5,615,683,624.57

17.2.1. Interest receivable**17.2.1.1. Classification of interest receivable**

Item	Closing Balance	Opening Balance
Fixed deposits	29,970,944.44	11,167,975.69
Total	29,970,944.44	11,167,975.69 ¹

Note: 1. The closing balance increased CNY 18,802,968.75 compared with opening balance, with an increase by 106.03%, mainly due to the increase of interest income on fixed deposit resulting from stock funds in the current period.

17.2.1.2. Significant interest receivable overdue

There is no significant interest receivable overdue at period end.

17.2.2. Other receivables

17.2.2.1. Other receivables disclosed by categories

Type	Closing Balance					Opening Balance				
	Book Balance		Provision for bad debt		Book Value	Book Balance		Provision for bad debt		Book Value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Other receivables with significant single amount and tested for impairment individually	307,456,275.25	6.36%	200,000,000.00	65.05%	107,456,275.25	400,000,000.00	6.88%	200,000,000.00	50.00%	200,000,000.00
Other receivables tested for impairment on the portfolio with characteristics of credit risk	4,525,091,586.91	93.64%	4,791,760.58	0.11%	4,520,299,826.33	5,412,681,140.42	93.12%	8,165,491.54	0.15%	5,404,515,648.88
Total	4,832,547,862.16	100.00%	204,791,760.58	4.24%	4,627,756,101.58	5,812,681,140.42	100.00%	208,165,491.54	50.15%	5,604,515,648.88

Other receivables with significant single amount and tested for impairment individually:

√ Applicable ☐ N/A

Company Name	Closing Balance			
	Book Balance	Provision balance for bad debt	Proportion of Provision	Reason
Agricultural Bank of China Changsha Yingxin branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou branch and another bank.	307,456,275.25	200,000,000.00	65.05%	For details please see Note14.1
Total	307,456,275.25	200,000,000.00	--	--

An analysis of provision under the aging analysis method:

☒ Applicable ☐ N/A

Aging	Closing Balance		
	Other receivables	Provision for bad debt	Proportion of Provision
Classification of within 1 year			
Risk free	4,510,110,733.71		
Within 1 year	10,028,014.85	501,400.74	5.00%
Sub-total	4,520,138,748.56	501,400.74	5.00%
1-2 years	415,215.72	41,521.57	10.00%
2-3 years	193,383.93	38,676.79	20.00%
3-4 years	184,722.70	73,889.08	40.00%
4-5 years	116,218.00	92,974.40	80.00%
Over 5 years	4,043,298.00	4,043,298.00	100.00%
Total	4,525,091,586.91	4,791,760.58	

Statements for determining the portfolio:

Other receivables using balance percentage method to provide bad debt:

☐ Applicable ☒ N/A

Other receivables using other method to provide bad debt:

☐ Applicable ☒ N/A

17.2.2.2. Provision and recovery for bad and doubtful other receivables in the current period.

The provision allowance of current period is CNY -2,960,597.10. The recovery of current period is CNY 0.00.

17.2.2.3. Other receivables actually written off during the reporting period

Item	Written off amount
Other receivables actually written off	413,133.86

Statements for written off:

There are no significant other receivables actually written off.

17.2.2.4. Analysis of other receivables by category

Category	Closing Balance	Opening Balance
Internal transactions with related parties within the scope of merger	4,510,110,733.71	5,391,751,764.73
Intercourse funds	14,282,195.47	19,885,208.11
Petty cash	698,657.73	1,044,167.58
Saving deposits involving contract disputes	307,456,275.25	400,000,000.00
Total	4,832,547,862.16	5,812,681,140.42

17.2.2.5. Top five entities with the largest balances of the other receivables

Company Name	Category	Closing Balance	Aging	Proportion in total receivables	Provision at period end
Luzhou Laojiao Brewing Co., Ltd.	Internal transactions	2,640,034,560.59	Within 1 year	54.63%	
Sales Company of Luzhou Laojiao Co., Ltd.	Internal transactions	1,583,875,514.35	Within 1 year	32.78%	
Agricultural Bank of China Changsha Yingxin branch, Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou branch and another bank.	Saving deposits involving contract disputes	307,456,275.25	4-5 years	6.36%	200,000,000.00
Luzhou Laojiao Electronic Commerce Co., Ltd.	Internal transactions	98,579,653.89	Within 1 year	2.04%	
Luzhou Laojiao Import and Export trade Co., Ltd.	Internal transactions	75,548,088.86	Within 1 year	1.56%	
Total	--	4,705,494,092.94	--	97.37%	200,000,000.00

17.2.2.6. Other receivables involving government grants

There are no other receivables involving government subsidy during the reporting period.

17.2.2.7. Other receivables derecognized arising from financial assets transfer

There are no other receivables derecognized arising from financial assets transfer during the reporting period.

17.2.2.8. Amount of assets and liabilities resulting from transfer of other receivables and continuing involvement

There are no assets and liabilities resulting from transfer of other receivables and continuing involvement during the reporting period.

17.3. Long-term equity investments

Item	Closing Balance			Opening Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Investment in subsidiary	3,403,811,028.11		3,403,811,028.11	3,394,206,228.11		3,394,206,228.11
Investment in associate and joint venture	2,093,670,447.40	2,567,098.80	2,091,103,348.60	1,827,461,071.65	2,567,098.80	1,824,893,972.85
Total	5,497,481,475.51	2,567,098.80	5,494,914,376.71	5,221,667,299.76	2,567,098.80	5,219,100,200.96

17.3.1. Investment in subsidiary

Investee	Opening Balance	Increase in current period	Decrease in current period	Closing Balance	Provision for impairment in current period	Closing balance of provision for impairment
Luzhou Pinchuang Technology Co., Ltd.	47,500,000.00			47,500,000.00		
Sales Company of Luzhou Laojiao Co., Ltd.	103,162,447.09			103,162,447.09		
Luzhou Laojiao Brewing Co., Ltd.	3,172,109,991.25			3,172,109,991.25		
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	5,433,789.77			5,433,789.77		
Luzhou Laojiao Electronic Commerce Co., Ltd.	42,000,000.00	9,604,800.00		51,604,800.00		
Luzhou Baonuo Biotechnology Co., Ltd.	20,000,000.00			20,000,000.00		
Luzhou Laojiao Tourism Culture Co., Ltd.	4,000,000.00			4,000,000.00		
Luzhou Laojiao Health Liquor Industry Co.,Ltd.						
Total	3,394,206,228.11	9,604,800.00		3,403,811,028.11		

17.3.2. Investment in associate and joint venture

Investee	Opening Balance	Changes in Current Period								Closing Balance	Closing Balance of provision for impairment
		Increase	Decrease	Gain or loss recognized under equity method	Adjustments of other comprehensive income	Changes in other equity	Cash divided or profit declared	Provision for impairment	Other		
1. Joint Venture											
None											
2. Associate											
Huaxi Securities Co., Ltd.	1,827,461,071.65			89,710,642.15	-359,548.90	171,419,326.19	10,367,583.47			2,077,863,907.62	2,567,098.80
Sichuan Development Wine Investment Co., Ltd.		16,636,159.43		-829,619.65						15,806,539.78	
Subtotal	1,827,461,071.65	16,636,159.43		88,881,022.50	-359,548.90	171,419,326.19	10,367,583.47			2,093,670,447.40	2,567,098.80
Total	1,827,461,071.65	16,636,159.43		88,881,022.50	-359,548.90	171,419,326.19	10,367,583.47			2,093,670,447.40	2,567,098.80

17.3.3. Other statements

For details about changes in current period please see Note 7.8 Long-term equity investments.

17.4. Operating revenue and cost of sales

Item	Current Period		Previous Period	
	Revenue	Cost of sales	Revenue	Cost of sales
Primary business	3,325,711,704.83	2,268,801,347.29	2,806,613,863.86	2,086,961,571.07
Other business	35,593,034.44	103,324.95	48,668,525.71	3,066,418.73
Total	3,361,304,739.27	2,268,904,672.24	2,855,282,389.57	2,090,027,989.80

17.5. Investment income

Item	Current Period	Previous Period
Investment income from long-term equity investments under cost method	2,015,909,035.78	1,832,323,011.65
Investment income from long-term equity investments under equity method	88,881,022.50	132,404,279.33
Investment income gained during the period of holding available-for-sale investments	9,112,541.00	5,912,117.71
Total	2,113,902,599.28	1,970,639,408.69

18. Supplementary information**18.1. Detailed statement of extraordinary gain and loss in the current period (+ for gain, - for loss)**

√ Applicable □ N/A

Item	Amount	Remark
Gains or losses on disposal non-current assets	-13,885,991.18	For details please see Note 7.35, 7.37
Government grants included into current profits and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard)	22,342,598.30	For details please see Note 7.33
Other non-operating income and costs other than above items	-4,902,369.83	For details please see Note 7.33, 7.37
Less: impact from income tax	316,133.32	
impact from non-controlling shareholders equity	768,397.45	
Total	2,469,706.52	--

Statement for extraordinary gain and loss items that the Company defines according to the definition in “Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss” and definition of recurrent gain and loss items that are listed as extraordinary gain and loss in the “Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss”:

□ Applicable √ N/A

18.2. Return on equity and earnings per share

Profit during reporting period	Weighted average ROE	EPS(CNY/Share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	21.81%	2.380	2.380
Net profits attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss	21.80%	2.378	2.378

18.3. Accounting data differences under domestic and foreign accounting standards**18.3.1. Differences of net profit and net assets between international accounting standards and Chinese accounting standards disclosed in the financial reporting at the same time**

☐ Applicable ☒ N/A

18.3.2. Differences of net profit and net assets between outbound accounting standards and Chinese accounting standards disclosed in the financial reporting at the same time

☐ Applicable ☒ N/A

Section XII Documents Available for Preference

1. Financial statements signed and stamped by the legal representative, person in charge of accounting affairs and person charge of accounting department ;
2. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
3. The originals of all company documents and announcements that are disclosed on the public website designated by CSRC during the reporting period.