

Yantai Changyu Pioneer Wine Co., Ltd.

2020 First Quarter Report Main Body

I. Important Notice

The Company's board of directors, board of supervisors, directors, supervisors and senior executives guarantee the truthfulness, accuracy and completeness of contents contained in this quarter report as well as no unfaithful facts, misleading statements or significant omissions and undertake individual and collective legal liabilities.

All directors attended the board meeting for deliberating this quarter report.

Mr. Zhou Hongjiang (person in charge of the Company), Mr. Jiang Jianxun (person in charge of accounting work), and Ms Guo Cuimei (person in charge of accounting institution and person in charge of accounting) declare to assure the truthfulness, accuracy and completeness of the financial statement in this quarter report.

II、Corporate Information

1. Key accounting data and financial indicators

Whether the Company needs to make retroactive adjustments or restate the accounting data of previous fiscal years.

☐ Yes ☒ No

Item	This report period	The same period of last year	More or less than the same period of last year (%)
Operating revenue (CNY)	800,586,544	1,667,424,758	-51.99%
Net profit attributed to the shareholders of the listed company (CNY)	233,129,459	456,381,471	-48.92%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	225,980,141	450,709,661	-49.86%
Net cash flows from the operating activities (CNY)	-117,099,945	294,678,342	-139.74%
Basic earnings per share (CNY)	0.34	0.67	-49.25%
Diluted earnings per share (CNY)	0.34	0.67	-49.25%
Weighted average for earning rate of the net assets	2.24%	4.75%	-2.51%
	The end of this report period	The end of last year	More or less than the end of last year (%)
Total assets (CNY)	13,447,791,010	13,647,932,568	-1.47%
Net Assets attributed to the shareholders of the listed company (CNY)	10,534,302,179	10,308,910,198	2.19%

Details of non-recurring gains and losses

☒ Yes ☐ No

Unit: CNY

Item	From beginning of year to end of report period	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	0	
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation,	6,701,749	

in line with related regulations and have proper basis of calculation)		
Other non-operating income and expenses	2,697,448	
Less: Income tax effect	2,231,821	
Minority interests effect(after-tax)	18,058	
Total	7,149,318	--

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

☐ Available ☒ Not available

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

2. The total number of shareholders and top 10 shareholders at the end of the report period

- 1) The number of the common shareholders and preferred shareholders with recovered voting power as well as the shareholding of top 10 shareholders

Unit:share

Total number of common shareholders at the end of report period	The total is 45,626, including 26,635 A shares and 18,991 B shares	Total number of preferred shareholders with recovered voting power at the end of report period (if have)	0			
Shareholding of top 10 shareholders						
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held	Number of restricted shares	Pledged or frozen	
					Share status	Amount
YANTAI CHANGYU GROUP COMPANY LIMITED	Domestic non-state-owned legal person	50.40%	345,473,856			
GAOLING FUND, L.P.	Foreign legal person	3.08%	21,090,219			
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.25%	15,440,794			
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15,241,826			
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.20%	8,239,333			
HONG KONG SECURITIES	Foreign legal	1.05%	7,166,916			

CLEARING COMPANY LIMITED (HKSCC)	person					
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6,350,762			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.70%	4,805,756			
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4,761,200			
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT	Foreign legal person	0.56%	3,815,587			
Shareholding of top 10 shareholders with unrestricted shares						
Name of Shareholders			Number of unrestricted shares held	Type of share		
				Type of share	Amount	
YANTAI CHANGYU GROUP COMPANY LIMITED			345,473,856	A share	345,473,856	
GAOLING FUND,L.P.			21,090,219	B share	21,090,219	
CHINA SECURITIES FINANCE CORP			15,440,794	A share	15,440,794	
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD			15,241,826	B share	15,241,826	
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED			8,239,333	B share	8,239,333	
HONG KONG SECURITIES CLEARING COMPANY LIMITED (HKSCC)			7,166,916	A share	7,166,916	
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND			6,350,762	B share	6,350,762	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED			4,805,756	B share	4,805,756	
CENTRAL HUIJIN ASSET MANAGEMENT LTD.			4,761,200	A share	4,761,200	
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED-ACCOUNT CLIENT			3,815,587	B share	3,815,587	
The explanation for the associated relationship and accordant action of the top 10 shareholders		Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.				
Explanation for the top 10 common shareholders who involved in financing activities and stock trading business(if any)		No				

Whether or not the Company's top 10 common shareholders and top 10 common shareholders with unrestricted shares promise to buy back trading during the report period

☐ Yes ☒ No

There are no top 10 common shareholders and top 10 common shareholders with unrestricted shares in the Company promise to buy back trading during the report period.

2) The table of the total number of the preferred shareholders and the shareholding status of the top 10 preferred shareholders

☐Available ☒Not available

III 、 Major Issue

1. Situation and reason of change in major financial data and financial index during the report period

☒Available ☐Not available

At the end of the report period, advance receipt in the consolidated financial statements decreased by 100% compared with the beginning of the year, mainly because the Company began to implement the "Accounting Standard for Business Enterprises No. 14-Revenue" revised and issued by the Ministry of Finance in 2017 since January 1st, 2020 and during the report period advances received from customers for purchases were confirmed to be contract liabilities and tax payable; other payable decreased by 27.74% compared with the beginning of the year, which is mainly due to the decline in advertising fees payable and the payable of investment projects funds.

Compared with the same period of last year, the total operating income in the consolidated financial statements in this reporting period decreased by 51.99%, the operating income decreased by 51.99%, net profit decreased by 48.73%, cash received from selling commodities and providing labor services decreased by 49.60%, the sub-total cash outflow from operating activities decreased by 28.17%, and the net cash flow from operating activities decreased by 139.74%, which were mainly due to the decreased product sales and sales revenue seriously influenced by the COVID-19 epidemic; total operating cost and operating cost decreased by 53% and 50.7% respectively, mainly due to the decline in sales volume; the sales expenses decreased by 68.55%, mainly due to the company's decreased marketing activities that were severely affected by the COVID-19 epidemic; the financial expenses increased by 193.12%, mainly due to the bank loans discount received in the same period of last year but no in this report period.

2. Analysis explanation of major issue's process, influence and solution

☐Available ☒Not available

Implementation progress of share repurchase

☐Available ☒Not available

Implementation progress of reducing or repurchasing shares by the way of centralized bidding

☐Available ☒Not available

3. The commitments that the Company's actual controllers, shareholders, related parties, purchasers, the Company and other related parties do not implement completely exceeding the time limit within report period

☒Available ☐Not available

Commitments	Commitment Party	Commitment Type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at	-		—			

share reform						
Commitments made in acquisition report or equity changes report	-		-		-	-
Commitments at asset restructuring	-		-		-	-
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Permanent	Has been fulfilling the commitment
	Yantai Changyu Group Co., Ltd.	Define the use of trademark use fee	According to Trademark License Contract, the annual trademark use fee of trademarks including “张裕” (Changyu) paid by the Company to Yantai Changyu Group Co., Ltd. should be mainly used by Yantai Changyu Group Co., Ltd. to publicize trademarks including “张裕” (Changyu) and contractual products.	1997.05.18	1997.05.18 to 2019.04.04	According to Trademark License Contract, the annual trademark use fee charged by Yantai Changyu Group Co., Ltd. should be mainly used to publicize trademarks including “张裕” (Changyu) and contractual products. Except the period from 2013 to 2017 when Yantai Changyu Group Co., Ltd. didn't strictly fulfill the commitment, Yantai Changyu Group Co., Ltd. has been fulfilling the commitment.
Equity incentive commitments						
Commitments	Yantai		The			Has been fulfilling

made to the minority shareholders of the Company	Changyu Group Co., Ltd.	Compensating unredeemed commitment	CNY231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.	2019.04.04	2019.04.04 to 2023.12.31	the commitment
Commitment under timely implementation or not	No					
For commitments that exceed the time limit and are not completed, specific reasons of not completing the implementation and the next step	According to <i>Trademark License Contract</i> (hereafter referred to as “this Contract”), Changyu Group promised that the annual trademark use fee paid by the Company to Changyu Group would be mainly used by Changyu Group to publicize these trademarks and contractual products. However, the above-mentioned "mainly" is not a specific number. During the implementation process, due to inconsistent understanding, it is easy to cause divergence and leads to problems. From 2013 to 2017, Changyu Group collected a total of CNY420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY50,025,181, with a balance of CNY164,625,609. In 2018 and 2019, the trademark use fee collected of 2017 and 2018 is CNY155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY12,225,187, with a balance of CNY67,143,006.					

Since 2013, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY231,768,615. If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc. in order to implement the commitment.

By the end of 2019, the Company has used the trademark use fee of CNY 38,094,295, which shall be paid to Changyu Group in 2019 to set off against the above balance; by the end of this reporting period, the balance of trademark use fee that this Company could use to set off to Changyu Group is CNY 193,674,320. For detailed information, please refer to Announcement of Commitment Issues of Yantai Changyu Group Co., Ltd. disclosed on April 4th, 2019.

4. Situation of security investment

☐ Available ☒ Not available

There is no security investment during the report period.

5. Entrusted Investment

☐ Available ☒ Not available

There is no entrusted investment during the report period.

6. Situation of derivative investment

☐ Available ☒ Not available

There is no derivative investment during the report period.

7. The activities registration form of receptions, communication and interview etc. during the report period

☐ Available ☒ Not available

There are no activities of receptions, communication and interview etc. during the report period.

8. Situation of illegal external guarantee

☐ Available ☒ Not available

There is no illegal external guarantee during the report period.

9. Situation of non-operating fund occupation of controlling share holders and related parties

☐ Available ☒ Not available

There is no non-operating fund occupation of controlling share holders and related parties during the report period.

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 29th, 2020