



Luzhou Laojiao Co., Ltd.
2019 Annual Report

April 2020

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 and Ms. 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
Lin Feng	Director	Work	Liu Miao

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

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

The profit distribution plan approved by the board of directors: based on 1,464,752,476 shares, a cash dividend of CNY 15.9 (tax inclusive) will be distributed for every 10 existing shares held, 0 shares of bonus shares (tax inclusive), and reserves would not be converted into share capital.

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

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

Section II Company Profile and Key Financial Results

1. Corporate information

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

2. Contact us

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

E-mail	dsb@lzj.com	dsb@lzj.com
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3. Information disclosure and place where the annual report is kept

Newspaper designated by the Company for information disclosure	China Securities Journal, Securities Times, Securities Daily
Website designated by the China Securities Regulatory Commission (CSRC) for the publication of the Annual Report	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	Tang Fangmo, Feng Yuan

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

Applicable N/A

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

Applicable N/A

6. Key accounting data and financial indicators

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

Yes No

	2019	2018	YoY Change	2017
Operating revenues (CNY)	15,816,934,272.86	13,055,465,761.55	21.15%	10,394,867,493.46
Net profits attributable to shareholders of the Company (CNY)	4,641,988,857.03	3,485,643,008.98	33.17%	2,557,944,598.97
Net profits attributable to shareholders of the Company before non-recurring gains and losses (CNY)	4,600,916,766.09	3,483,173,302.46	32.09%	2,539,601,364.06
Net cash flows from operating activities (CNY)	4,841,619,203.86	4,297,916,018.24	12.65%	3,703,734,061.89
Basic earnings per share (CNY/share)	3.17	2.38	33.19%	1.798
Diluted earnings per share (CNY/share)	3.17	2.38	33.19%	1.798
Weighted average ROE	25.50%	21.81%	3.69%	20.30%
	At the end of 2019	At the end of 2018	YoY Change	At the end of 2017
Total assets (CNY)	28,919,969,078.32	22,604,929,596.42	27.94%	19,755,761,074.20
Net assets attributable to shareholders of the Company (CNY)	19,406,845,725.61	16,964,671,475.96	14.40%	15,171,448,756.68

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	4,169,227,565.29	3,843,807,454.43	3,463,860,724.49	4,340,038,528.65
Net profits attributable to shareholders of the Company	1,514,560,516.51	1,235,220,524.91	1,045,505,627.15	846,702,188.46
Net profits attributable to shareholders of the Company before non-recurring gains and losses	1,509,954,666.54	1,217,827,861.02	1,064,362,543.26	808,771,695.27
Net cash flows from operating activities	561,024,531.75	1,145,726,058.59	1,638,528,733.43	1,496,339,880.09

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	2019	2018	2017	Note
Profit or loss from disposal of non-current assets (including the write-off portion of the impairment provision)	23,211,482.49	-13,885,991.18	-4,256,543.78	See "Section XII Note 5.38, 5.39, 5.40" 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)	43,969,302.07	22,342,598.30	27,087,985.92	See "Section XII Note 5.34" 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	
Other non-operating income and expenditure except above-mentioned items	-11,510,048.21	-4,902,369.83	5,512,918.43	See "Section XII Note 5.39, 5.40" for details.
Less: Corporate income tax	13,076,295.35	316,133.32	5,357,931.72	
Minority interests (after tax)	1,522,350.06	768,397.45	4,373,998.26	
Total	41,072,090.94	2,469,706.52	18,343,234.91	--

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

Applicable N/A

No such cases for the reporting period.

Section III Business Profile

1. Business scope in the reporting period

The Company 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.

Currently, China's liquor market shares are concentrated in brands with superior reputation, high quality, convoluted cultural background, and close relationship with origins. Brands and products are made to appeal more to younger consumers, and are made more stylish, healthier and more international. In particular, market competition will become fiercer as China adopts an opening-up policy for the liquor industry. During the reporting period, closely adhering to the development theme of "firmness, management, scale", the Company enhanced its foundation, built up growth momentum and made remarkable efforts to accomplish key tasks. As a result, the Company continued to grow in a healthy way, with its operating results hitting a record high.

2. Significant changes in the main assets

2.1. Significant changes in the main assets

Main assets	Reasons for any significant change
Equity assets	N/A
Fixed assets	The closing balance increased by CNY 489,198,482.44 compared to opening balance, indicating an increase of 47.51 percent. It was mainly due to the increase in construction in progress that met the expected conditions for use and was transferred to fixed assets in the current period.
Intangible assets	The closing balance increased by CNY 100,266,659.59 compared to opening balance, indicating an increase of 43.22 percent. It was mainly due to the acquisition of land use rights of CNY 84,360,783.58 in the current period.
Construction in progress	The closing balance increased by CNY 4,256,903,837.70 compared to opening balance, indicating an increase of 141.87 percent. It was mainly due to the increased input to the technical renovation project of brewing.

2.2. Main assets overseas

Applicable N/A

3. Analysis of core competitiveness

A. Geographical advantage

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

B. Advantage of cellars and brewing technique

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

C. Brand advantage

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

D. Quality and R&D advantage

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

E. Talent advantage

The Company has built up the richness in its talent pool throughout the years. It has 1 inheritor of national intangible cultural heritage, 2 masters of Chinese brewing, 2 masters of Chinese liquor, 3 masters of Chinese liquor technique, 2 Chinese liquor connoisseurs, 4 senior professor engineers, 6 experts who receive special allowances from the State Council, 3 national technicians, 3 academic and technologic leaders of Sichuan province, 1 excellent expert with special contribution of Sichuan province, 1 craftsman of Sichuan province, 1 technological elite of Sichuan province, as well as hundreds of highly skilled personnel including national liquor judges, senior brewing technicians and brewing technicians. The comprehensive and professional personnel system assures the sound development of the Company.

Section IV Performance Discussion and Analysis

1. Overview

2019 marked the end of the three-year sprint to the fulfillment of the Company's development strategy. Centering on the strategic planning and business objectives, the Company's management and employees implemented the development theme of "firmness, management, scale" to promote a solid and rapid development. For 2019, operating revenue amounted to CNY 15.817 billion, up 21.15% year on year; and the net profit attributable to the shareholders of the listed company reached CNY 4.642 billion, up 33.17% year on year. As such, the development objectives for the year have been achieved! Over the past year, the Company's main work and performance included:

A. Significant ramp-up of quality production capacity and enhanced quality foundation for further growth

In 2019, Luzhou Laojiao Huangyi Brewery Eco-Park (focusing on the brewing technical innovation program) was put into production. The liquor produced in the new cellars in the eco-park is of excellent quality due to the application of technological achievements in relation to cellar mud cultivation, cellar sealing technology, etc. The liquor production system led by the Huangyi Brewery Eco-Park will promote fast growth in sales and help achieve a leading market share with better quality and taste. Active efforts were made to build a national traceability system of liquor safety, carry out a pilot program of quality improvement targeted at the entire industrial chain, as well as strengthen quality management programs such as "comprehensive quality improvement" and "research on technology standards for packaging materials". Additionally, the Company has issued several white papers on product quality and safety. It has also won a variety of accolades in this respect, including the "Nationwide Advanced Enterprise in Quality", the "Nationwide Iconic Enterprise in Quality", the "Workshop of National Masters", and the "Sichuan Craftsman".

B. Steady progress in brand value return, with historic and fundamental revival for core product series

For the product series of National Cellar 1573, the Company firmly implemented a retail quota mechanism and a price circuit breaker mechanism. Continual optimization in channel inventories, increased rationale in market prices, and the fundamental shift from lower expense driven growth to brand driven growth were all accomplished. The package of the Tequ series was upgraded, and the production of Jiaoling Liquor ramped up. Both the sales volume and prices of 60 Tequ rose, and the Luzhou Laojiao brand revival campaign produced fruitful results. The marketing models of the Touqu and Erqu series took shape smoothly, and brand coverage was expanding. As such, the Company is taking solid steps on the path of brand revival and value return.

C. Significant improvement in the management system, with more scientific corporate governance

The Company fully fulfilled the requirements of the "management year" by carrying out solid improvement and innovative optimization in internal control, project management, financial management, asset management, production safety, environmental protection, among others. The reporting period saw a significant improvement in the Company's business planning and budgetary management

capabilities. The business and marketing plans were successfully devised, indicating that the Company was well positioned to carry out the plans in 2020. Meanwhile, substantial progress was made in environmental protection. Key projects such as environment-related risk screening and rectification, waste water treatment plant upgrading, diversion of rain and waste water in all production bases, and renovation of the cooling water circulation system were smoothly completed, with all the production emissions complying with the applicable standards.

D. Further progress in team building, with a considerable improvement in the sense of honor, the sense of belonging and the sense of achievement among employees

The Company further expanded its talent pool through campus and social recruitment during the reporting period. The “Hang” plan, a talent cultivation system, was put in place, the P3-level talent review was concluded, and the “dual channel” career promotion mechanism was implemented in a deeper manner. In addition to the “352” appraisal and motivation model that was promoted in the front line of sales, training programs including the “Operator Plan”, the “Commander Plan” and “Speed up” were carried out in a deep manner to fully enhance the practical ability of marketing personnel. Meanwhile, the Company kept improving employee benefits. It adopts a mechanism of “seven insurance payments, housing funds and annuities” for employees, as well as a well-established occupational health management system, reaching yet another new height of the Company as an “employees’ paradise” and “talent paradise”.

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

	2019		2018		YoY Change
	Amount	As a percentage of operating revenues	Amount	As a percentage of operating revenues	
Total	15,816,934,272.86	100%	13,055,465,761.55	100%	21.15%
By business segment					
Liquor	15,615,719,102.43	98.73%	12,859,523,825.56	98.50%	21.43%
Other	201,215,170.43	1.27%	195,941,935.99	1.50%	2.69%
By product					
High-grade liquor	8,595,855,288.20	54.35%	6,377,822,866.84	48.85%	34.78%
Mid-grade liquor	3,748,895,591.48	23.70%	3,674,967,125.89	28.15%	2.01%
Low-grade liquor	3,270,968,222.75	20.68%	2,806,733,832.83	21.50%	16.54%
Other	201,215,170.43	1.27%	195,941,935.99	1.50%	2.69%

By geographical segment					
Domestic	15,674,636,458.22	99.10%	12,950,439,919.30	99.20%	21.04%
Overseas	142,297,814.64	0.90%	105,025,842.25	0.80%	35.49%

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

√ Applicable N/A

Unit: CNY

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue	YoY change of cost of sales	YoY change of gross profit margin
By business segment						
Liquor	15,615,719,102.43	2,974,484,362.13	80.95%	21.43%	3.32%	3.34%
By product						
High-grade liquor	8,595,855,288.20	617,861,758.74	92.81%	34.78%	18.84%	0.96%
Mid-grade liquor	3,748,895,591.48	667,389,589.67	82.20%	2.01%	-10.48%	2.49%
Low-grade liquor	3,270,968,222.75	1,689,233,013.72	48.36%	16.54%	4.69%	5.85%
By geographical segment						
Domestic	15,674,636,458.22	3,046,516,937.67	80.56%	21.04%	5.29%	2.90%

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

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

√ Yes No

By business segment	Item	Unit	2019	2018	YoY Change
Liquor	Sales volume	ton	142,684.91	146,426.14	-2.56%
	Output volume	ton	137,865.2	156,750.5	-12.05%
	Stock	ton	45,350.24	50,169.95	-9.61%

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

Applicable N/A

2.2.4. Execution of significant sales contracts in the reporting period

Applicable N/A

2.2.5. Breakdown of cost of sales

By business segment

Unit: CNY

By business segment	Item	2019		2018		YoY Change
		Amount	As a percentage of cost of sales	Amount	As a percentage of cost of sales	
Liquor	Raw materials	2,618,480,096.93	85.42%	2,493,466,778.30	84.99%	5.01%
Liquor	Labor costs	170,437,243.49	5.56%	176,446,424.13	6.01%	-3.41%
Liquor	Manufacturing overhead	276,500,707.96	9.02%	263,794,683.61	8.99%	4.82%

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

Yes No

Luzhou Boda Brewing Co., Ltd. was deconsolidated for it was de-registered.

The following entities were newly consolidated for they were newly incorporated subsidiaries with the Company's investment: Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd., Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd., Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd., Luzhou Laojiao Whitail Innovative Electronic Commerce Co., Ltd., Luzhou Laojiao Selected Electronic Commerce Co., Ltd., and Luzhou Laojiao Commercial Development (North America) Co., Ltd.

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)	10,447,279,425.97
Total sales from top five customers as a percentage of the total sales	66.05%
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	7,229,818,651.23	45.71%
2	Customer B	1,601,232,211.38	10.12%
3	Customer C	941,829,400.97	5.95%
4	Customer D	454,487,975.98	2.87%
5	Customer E	219,911,186.41	1.39%
Total	--	10,447,279,425.97	66.05%

Other information on major customers

Applicable N/A

Major suppliers of the Company

Total sales from top five suppliers (CNY)	1,230,215,105.39
Total sales from top five suppliers as a percentage of the total sales	38.97%
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	354,223,472.83	11.22%
2	Supplier B	279,764,450.95	8.86%
3	Supplier C	231,425,892.63	7.33%
4	Supplier D	188,694,909.68	5.98%
5	Supplier E	176,106,379.30	5.58%
Total	--	1,230,215,105.39	38.97%

Other information on major suppliers

Applicable N/A

2.3. Expenses

Unit: CNY

	2019	2018	YoY Change	Reason for any significant change
Selling and distribution expenses	4,186,102,153.59	3,392,721,432.33	23.38%	
General and administrative expenses	828,945,024.92	722,448,972.80	14.74%	
Finance expenses	-205,084,493.69	-215,066,482.79		
R&D expenses	71,643,099.77	62,172,210.70	15.23%	

2.4. R&D expenses

√ Applicable N/A

In 2019, the Company's research interests included research on breeding and standardized cultivation of sorghum varieties for brewing, research on brewing microorganism fermentation mechanism and application, development of new brewed tonic liquor products, research and application of liquor food safety and quality improvement technology, research on production techniques of different styles of base liquor, and research on comprehensive utilization of brewing by-products. The Company passed the inspection of science and technology authorities for 10 provincial and municipal science and technology projects, including *Research and Application of Microorganism Enhanced Co-culture Technology Based on Flavor Fingerprint* and *Integration and Industrial Demonstration of Key Technologies in Intelligent and Automatic Production of Luzhou-Flavor Liquor*, and won three awards for scientific and technological research results, including one Second Prize of China Alcoholic Drinks Association for Scientific and Technological Progress and two Outstanding Paper Awards of China Alcoholic Drinks Association. The promotion and application of related technological achievements in the Company has helped to enrich its product categories, ensure product quality, enhance liquor yield and high-quality liquor yield, save energy, reduce the discharge of brewing waste and minimize labor, laying a technical foundation for the Company's positive and scientific development.

Information about R&D input

	2019	2018	YoY Change
Number of R&D personnel	454	452	0.44%
R&D personnel as a percentage in total employees	14.06%	15.69%	-1.63%
R&D input (CNY)	86,837,791.61	85,334,100.70	1.76%
R&D input as a percentage in operating revenues	0.55%	0.65%	-0.10%

Capitalized R&D input (CNY)	0.00	0.00	
Capitalized R&D input as a percentage in total R&D input	0.00%	0.00%	

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	2019	2018	YoY Change
Subtotal of cash inflows from operating activities	19,116,354,312.63	15,316,815,981.72	24.81%
Subtotal of cash outflows from operating activities	14,274,735,108.77	11,018,899,963.48	29.55%
Net cash flows from operating activities	4,841,619,203.86	4,297,916,018.24	12.65%
Subtotal of cash inflows from investing activities	62,529,093.56	19,702,964.73	217.36%
Subtotal of cash outflows from investing activities	4,613,226,214.50	1,485,118,936.65	210.63%
Net cash flows from investing activities	-4,550,697,120.94	-1,465,415,971.92	
Subtotal of cash inflows from financing activities	2,493,834,692.00	4,482,764.00	55,531.63%
Subtotal of cash outflows from financing activities	2,400,399,307.80	1,921,149,867.51	24.95%
Net cash flows from financing activities	93,435,384.20	-1,916,667,103.51	
Net increase in cash and cash equivalents	386,279,899.10	916,564,472.77	-57.86%

Explanation of why the data above varied significantly

Applicable N/A

Net cash flows from investing activities decreased by CNY 3,085,281,149.02 year-on-year, mainly due

to the increase in cash paid for investments in the technical renovation project of brewing during the reporting period.

Net cash flows from financing activities increased by CNY 2,010,102,487.71 year-on-year, mainly due to the issue of corporate bond by the Company.

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

Adjustments to the financial statements at the beginning of the first execution year of any new standards governing financial instruments, revenue or leases since 2019

Applicable N/A

Unit: CNY

	At the end of 2019		At the end of 2018		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	9,753,666,526.78	33.73%	9,367,386,627.68	41.34%	-7.61%	
Accounts receivable	18,293,914.23	0.06%	10,333,728.87	0.05%	0.01%	
Inventories	3,641,235,092.33	12.59%	3,230,415,749.95	14.26%	-1.67%	
Long-term equity investments	2,230,721,725.72	7.71%	2,092,554,736.09	9.24%	-1.53%	
Fixed assets	1,518,865,397.91	5.25%	1,029,666,915.47	4.54%	0.71%	
Construction in progress	7,257,393,087.56	25.09%	3,000,489,249.86	13.24%	11.85%	Mainly due to the increase of input in the technical renovation project of brewing industry.

4.2 Assets and liabilities measured at fair value

Applicable N/A

Unit: CNY

Item	Opening balance	Changes in fair value through profit or loss	Changes in cumulative fair value recorded into equity	Provision for impairment	Amount of purchase	Amount of sale	Other changes	Closing balance
Financial asset								
4. Investments in other equity instruments	327,036,804.62	25,358,451.16	247,832,416.78					352,395,255.78
Total	327,036,804.62	25,358,451.16	247,832,416.78					352,395,255.78
Financial liability	0.00	0.00	0.00					0.00

Information about other changes

Whether measurement attribution of main assets changes significantly in this year

Yes No

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

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
5,033,329,478.98	1,527,400,090.76	229.54%

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	4,000,207,095.68	6,362,690,798.07	Fund-raising+self-finance	85.00%	0.00	0.00	N/A	28 April 2016	Announcement of About subsidiary technical renovation project of brewing No: 2016-12 (http://www.cninfo.com.cn/)
Total	--	--	--	4,000,207,095.68	6,362,690,798.07	--	--	0.00	0.00	--	--	--

5.4. Financial assets investment

5.4.1. Securities investment

Applicable N/A

Unit: CNY

Category of	Stock	Abbreviation of	Initial investment	Accounting	Beginning book	Changes in fair	Changes in the	Amount of	Amount	Profit and loss	Closing book	Accounting	Capital
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securities	code	securities	nt cost	measure ment model	balance	value recogniz ed in profit or loss	cumulati ve fair value recorded into equity	purchase	of sale	during the reporting period	balance	ng item	source
Domestic and foreign stock	601211	GTJA	12,719,156.76	Fair value measurement	180,423,594.04	37,333,080.48	205,037,517.76			3,238,674.18	217,756,674.52	Investments in other equity instruments	Owned fund
Domestic and foreign stock	002246	SNC	1,030,000.00	Fair value measurement	10,335,098.55	1,422,835.05	10,727,933.60			85,995.53	11,757,933.60	Investments in other equity instruments	Owned fund
Domestic and foreign stock	01983	LZBANK	51,120,000.00	Fair value measurement	102,337,356.16	-13,260,992.96	37,956,363.20			5,424,000.00	89,076,363.20	Investments in other equity instruments	Owned fund
Total			64,869,156.76	--	293,096,048.75	25,494,922.57	253,721,814.56	0.00	0.00	8,748,669.71	318,590,971.32	--	--

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
2017	Non-public offering	295,273.5	120,199.79	258,227.26	0	0	0.00%	50,015.16	Deposited in special account of fund-raising and purchase of structured deposit products	0
2019	Public offering of corporate bond	249,000	200,381.5	200,381.5	0	0	0.00%	50,001.54	Deposited in special account of fund-raising	0
Total	--	544,273.5	320,581.29	458,608.76	0	0	0.00%	100,016.7	--	0
Notes for general use of fund-raising										
The total amount of unused fund-raising includes funds interests.										

5.5.2. Fund-raising for committed projects

√ Applicable □ N/A

Unit: CNY 10,000

Committed investment projects and direction of over-raised funds	Whether the project has been	Total amount of fund-raising for	Adjusted Investment total amount (1)	Investment amount in the reporting	Accumulated input by the end of the	Investment progress by the end of	Date of the projects reach the	Realized benefits during the reporting	Whether the expected benefits	Whether the feasibility of the project

	changed (including partial change)	committ ed investme nt		period	reporting period (2)	reporting period (3)= (2)/(1)	working condition for their intended use	period	have been achieved	has changed significa ntly
Committed investment projects										
Technical Renovation Project of Brewing Phrase I	No	295,273. 5	295,273. 5	120,199. 79	258,227. 26	87.45%	31 Decemb er 2020	0	N/A	No
Technical Renovation Project of Brewing Phrase II	No			200,381. 5	200,381. 5		31 Decemb er 2020	0	N/A	No
Project of Intelligent Upgrading and Building of the Information Management System	No			0	0		30 June 2022	0	N/A	No
Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base	No	398,400. 00	398,400. 00	0	0	50.30%	31 Decemb er 2020	0	N/A	No
Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base	No			0	0		31 Decemb er 2020	0	N/A	No
Subtotal of committed investment projects	--	693,673. 5	693,673. 5	320,581. 29	458,608. 76	--	--	--	--	--
Direction of over-raised funds										
None										
Total	--	693,673. 5 ¹	693,673. 5	320,581. 29	458,608. 76	--	--	0	--	--
Situation and reason for not reaching plan progress or expected benefits (by specific items)	None									
Significant changes	None									

of project feasibility	
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
	<p>Fundraising through non-public offering: On 30 November 2017, the Company held the 24th meeting of the eighth board of directors and the 13th meeting of the eighth supervisory committee. At the meetings, the <i>Proposal on Using Raised Funds to Replace Up-front Costs</i> was considered and approved, which agreed to the Company's replacement of the up-front self-raised fund of CNY 581,774,996.30 using the fund-raising. Non-executive directors of the Company issued independent opinions of consent. Sichuan Huaxin (Group) CPA Firm (Limited Liability Partnership) verified the matter on up-front investment in the fundraising project with self-raised fund and produced the <i>Special Report</i> (CHXZ (2017) No. 534) on 14 November 2017.</p> <p>Fundraising through public offering of corporate bond: On 14 May 2019, the Company held the 1st special meeting of shareholders in 2019, which considered and approved the <i>Proposal on Requesting the Company's General Meeting to Fully Authorize Chairman of the Board or Other Personnel Authorized by the Board to Go Through Procedures for the Public Offering of Corporate Bond</i>. According to the Proposal, in the event of inconsistency between the payment of the raised funds and the progress of the project implementation, the Company may pay up-front costs using other funds (including self-owned funds, bank project loans, etc.) according to the actual situation, and replace fund investment other than capital fund when the raised funds are in place. As of 31 December 2019, the Company had replaced an up-front self-raised fund of CNY 425,897,677.24 using the fund-raising.</p>
Idle fund-raising used for temporary supplementary liquidity	N/A
Amount and reason for surplus of fund-raising	N/A
Propose and direction of unused	Of the idle fund-raising through non-public offering, CNY 500 million is under the procedures for structured deposits with Chengdu Xiti North Road Sub-branch of China Merchants Bank Co., Ltd. for the purpose of cash management; the remaining part is deposited in the bank accounts with

fund-raising	<p>Chengdu Branch of China Minsheng Banking Co., Ltd. and Chengdu Xiti North Road Sub-branch of China Merchants Bank Co., Ltd. specifically for fundraising.</p> <p>Idle fund-raising through public offering of corporate bond are deposited in the bank accounts with CGB Chengdu Branch, BOC Luzhou Branch and Fucheng Avenue Sub-branch of Chengdu Branch of China Merchants Bank specifically for fundraising.</p>
Problems and other situation when fund-raising is used and disclosed	None

Note: 1. The total amount of investment committed through fundraising is CNY 6,936,735,000, including a fund of CNY 2,952,735,000 actually raised through non-public offering and a fund of CNY 3,984,000,000 actually raised through public offering of corporate bond respectively in August 2019 and March 2020. The total amount of investment committed and total amount of investment after adjustment have not been stated separately for Technical Renovation Project of Brewing Phase II, Project of Intelligent Upgrading and Building of the Information Management System, Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base and Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base. This is because that there are uncertainties in the approval and issue time for public offering of corporate bond in the review of issue plans. To ensure smooth progress of the projects and guarantee the interests of the Company's shareholders, the investment sequence and specific amounts of corresponding fund-raising should be determined by Chairman as authorized by the general meeting or some other person as authorized by the board of directors in the scope of the four projects according to the actual needs, provided that the capital fund for each project is no less than 20% of the total investment.

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	5,104,555,531.72	1,650,609,366.02	15,093,167,596.91	5,356,088,801.02	4,027,236,019.99

Acquisition and disposal of subsidiaries during the reporting period

Applicable N/A

Notes for major holding companies and joint stock companies

The operating profit and net profit of Sales Company increased 44.65% and 45.35% 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

According to the data of National Bureau of Statistics, the number of liquor companies above the scale designated by the Bureau was 1,176 during January-December 2019, down by 269 from the previous year; total production of brewed liquor of those 1,176 companies was 7.8595 million kl, down by 0.76% year-on-year; total sales revenue reached CNY 561.782 billion, up by 8.24% year-on-year; total profit of CNY 140.409 billion was realized, up by 14.54% year-on-year.

Under the joint influence of the macro-economic environment, population aging, consumption upgrading and other related factors, the liquor industry has declined year by year since 2016, with faster withdrawal of low-end capacity. China's liquor market shares are concentrated in brands with superior reputation, high quality, convoluted cultural background, and close relationship with origins. Brands and products

are made to appeal more to younger consumers, and are made more stylish, healthier and more international. The rising prices of mid- and high-end liquors have reduced the impact of declined production on total sales. Sales growth of liquor companies comes more from the competition in existing markets and market competition of the liquor industry will be more intense in the future.

9.2 Company's development strategy

9.2.1. Development opportunities in the future

(1) In the future, the international political and economic environments will usher in deeper reforms and adjustments. China's economy and enterprises will experience the leap from quantitative to qualitative changes in the global economic and trade systems. As a result, China will achieve its milestone target of building a moderately prosperous society in all aspects as planned. Luzhou Laojiao will face a diversity of historical opportunities for high-quality development, including the expansion of opening-up on all fronts, rising of city clusters, faster rural revitalization and upgrading of middle-class consumption.

(2) Over recent years of efforts, development and accumulation of experience and power, the Company has gained solid strength in capacity, a positive development structure, prominent advantages in scale and a robust momentum for growth, building a sound foundation for its faster development and revitalization. As a series of prospective key projects are being put into production, the Company will usher in opportunities for expansion of advantages, market shares and growth drivers.

9.2.2. Possible challenges and risks in the future

(1) As the rising international trade protectionism in recent years causes impact to export, the macro-economic environment remains intense. In particular after 2020, with great fluctuations in the international financial market and bulk commodity market, the world economy faces big chances of recession, injecting more uncertainties to domestic macro economy, which will in turn affect liquor consumption.

(2) The COVID-19 outbreak since the end of 2019 has brought huge impact to global economy and changed consumption patterns and behaviors during the epidemic period. It has greatly impacted on the consumption environment and product sales of the liquor industry. Since the fight against COVID-19 kicked off, the Company has attached great importance to the epidemic prevention and control, prioritized staff safety and health, and focused on the anti-epidemic efforts. It has quickly set up a COVID-19 prevention and control leading group and built a comprehensive prevention and control system that comprises an "all-level" prevention and control organ, an "all-day" prevention and control report mechanism, an "all-round" prevention and control range, and an "all-coverage" prevention and control identification. It has taken a number of measures, including communication and education on the epidemic prevention and control, survey of personnel & follow-ups, testing and monitoring of staff health conditions, preparations for work and production recovery and guaranteed inventory of supplies. Through the responsive and scientific approaches, the Company aims to carry forward the business operations while all departments are dutifully performing the epidemic prevention & control, on the basis of no infected and no suspected cases. As of now, the epidemic impact continues, restricting further development on domestic liquor consumption. The recovery of the liquor industry is not known yet. The Company will continue to keep track of the pandemic, assess and proactively deal with the impact on its

operation conditions and operating results.

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

As of the Company's "13th five-year" period, the overall plan is "12345" strategy, namely: the goal of clearly return to China's liquor industry "top three"; adhering to the two principles of "profession and strength" and "harmonious coexistence"; 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 2019

In 2019, the Company achieved the operating revenue of CNY 15.817 billion, up by 21.15% year-on-year. The net profit attributable to shareholders of the listed company reached CNY 4.642 billion, up by 33.17% year-on-year. The Company has successfully completed its business target of a year-on-year growth in operating revenue by 15%-25% as set by the board of directors at the beginning of 2019.

9.4 Business plan in 2020

2020 marks the year for the Company to achieve the "13th Five-year" plan. The Company will closely center on the development theme of "Firm Determination, Strong Confidence, Strict Management, Targeted Audit, Talent Development and All-out Efforts", seize development opportunities and strive to maintain the momentum of positive development. Due to the great uncertainties brought by the COVID-19, the board deems that it will be difficult for the Company to quantify accurate business targets. Despite that, the Company will keep close track of the pandemic, make proactive steps to deal with the changes, maintain the positive momentum and industrial reputation, and take efforts to narrow the gap between industry leaders.

The main measures are as follows:

A. Enhancing efforts in brand promotion, increasing brand visibility and accelerating brand revitalization

The Company will implement the double brand strategy and the major single product strategy at an in-depth level, strengthen brand management, regulate the use of bar codes and continue to shape the brand system of "double brands, three categories and five single products". It will intensify, deepen and refine cooperation with mainstream media, carry out targeted promotion that directly reaches consumers, drive brand resources to focus on the first tier of market and on consumers, and continue to promote the positive growth of "National Cellar 1573". On the basis of strategic return, the old-time Tequ will firmly dress up to achieve the return of consumers, brand image and the status of renowned liquor. For Jiaoling Baijiu, the Company will focus on key markets and continuously reinforce its brand support strength. For Touqu, the Company will continue to increase profit margins and enhance the power of channel recommendation. The Company will extend coverage of the "See-through Bottle" strategy on all fronts and continue to raise the brand image. It will persist in developing and expanding overseas consumption circles and "let the world taste China" by high-quality products and services.

B. Strengthening efforts in quality, building a solid quality foundation and maintaining a leading position for quality

With a goal of full-scale production of Luzhou Laojiao Huangyi Brewing Eco-park in 2021, the Company will speed up the project construction progress and ensure a leading construction speed in the industry. It will persist in the parallel application of “process” and “innovation” by continuing to use traditional brewing techniques in old cellars, together with boldly automatic equipment and the latest technologies in new cellars. It will advance the project of technical improvements in the intelligent packaging center, accelerate the construction of intelligent package production lines & automatic dimensional warehouses, expedite the construction of information systems for warehouse management & purchase management, and improve the overall synergistic effect & execution of supply chains. It will speed up the research and reserve of innovative, cutting-edge and game-changing quality monitoring technologies to secure its industrial leading position for its quality technology. It will continue to explore the quality regulation & tracing system under the automatic and intelligent production model, improve the quality standards of pre-mixed liquor, fruit wine, cocktails & other innovative products, and make consistent high quality of Luzhou Laojiao.

C. Intensifying efforts in management, delivering innovation in management and promoting the exercise of management

The Company will accelerate innovation in the structural design, authorization management, business process and communication mechanisms of brewing, production and product guarantee systems, and establish a management system matching mechanization and intelligence. It will vigorously perform identification of potential safety and environmental risks and tangibly fulfill its responsibilities in safety and environmental protection.

Centering around the theme of “strict management”, the Company will strictly carry out inspection of policy and process execution, continue to strengthen business risk control, take tough measures to prevent financial, legal, internal control and public opinion risks. It will implement the “key audit” theme, conduct post audit, verification and calculation of fund and human resources after utilization and ensure year-on-year improvement in human resource efficiency. It will continuously beef up fee audit of sales and management systems, further integrate the “eye in the sky” project and market regulation forces, and perform “site audit” and “process audit” for front lines of sales.

D. Making unswerving efforts to drive talent development, improving the talent system and unleashing talent efficacy

Based on consolidating and enhancing the quality and quantity of existing talents, the Company will continue to rapidly increase the number of pioneering, capital operation and top design talents and build a human resource system covering various types of talents. It will continue the recruitment of fresh graduates and experienced professionals, and reasonably introduce talents to different brands of Luzhou Laojiao. It will further implement the “double channel” mechanism, build a talent development system under the targeted training program, and extend specialized training to more trainees. It will strictly implement the principle of “no promotion for five types of employees” for the promotion of sales personnel, create a three-tier talent pool for the sales system, and conduct alternate training for regional managers to fully improve the abilities, competitiveness and execution of marketing personnel. It will

further implement the “352” incentive model, continuously reinforce appraisal on per capita production, and develop iron fighters for the sales of Luzhou Laojiao who are able to stand market test, address industrial pressure and fight tough fights.

E. Initiating efforts in innovation and sticking to innovation-driven growth with continuous innovation and achievements

The Company will speed up the formulation of the “14th Five-year” research plan, give full play to the roles of such platforms as National Solid-state Fermentation Center, and continue to improve the conversion rate of scientific research results. It will create new product sequencing methods, make plans for tonic liquor, pre-mixed liquor and fruit wine and achieve growth amid stable sales. It will develop new bespoke liquor services and enhance the level of such services to meet individualized demands of customers. It will design new experience-based marketing approaches to enhance consumers’ sense and participation and obtainment in “Fine Liquor DIY” and raise its visibility and reputation among consumers. It will continue to build its e-commerce network and create and operate internet products. It will exercise strict management of its franchise store system, resolutely control expenses, logistics and prices, and promote healthy development of franchise stores. It will conscientiously run brand image stores, make itself a model for price and image and enhance its visibility, accessibility and reputation among more consumers.

F. Promoting efforts in culture shaping, building a cultural high ground and driving cultural empowerment

The Company will continue to cultivate the historical and cultural resources of Luzhou Laojiao, commence the construction of Luzhou Laojiao National Cellar Culture Park on all fronts, focus on building a “Pilgrim’s Destination of Chinese Liquor” with international influence and visibility, and further promote the integrated development of liquor with tourism, culture and other industries. It will plan museum construction on a scientific basis, continue to strengthen the management of existing museums, and boldly adopt modern technologies, such as 5G, VR and holographic projection to give an account of the historical and cultural stories of Luzhou Laojiao to consumers nationwide. It will continue to develop its cultural IPs, including “International Festival of Poetry & Liquor” and “Storage Ceremony”, deepens cooperation with China National Opera & Dance Drama Center and masters of culture and art, and further enhance the fashion and influence of the brand culture of Luzhou Laojiao.

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
17 March 2019	Field survey	Institution	Industry Trends and Company

			Performance (http://www.cninfo.com.cn/)
22 March 2019	Field survey	Institution	Company Performance (http://www.cninfo.com.cn/)
14 May 2019	Field survey	Institution	Company Performance (http://www.cninfo.com.cn/)
30 May 2019	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
27 June 2019	Field survey	Institution	Industry Trends and Company Performance (http://www.cninfo.com.cn/)
11 September 2019	Field survey	Institution	Industry Trends, Company Performance and Plan (http://www.cninfo.com.cn/)
6 November 2019	Field survey	Institution	Company Performance (http://www.cninfo.com.cn/)
Number of reception		7	
Number of reception of institutions		352	
Number of reception of individuals		2	
Number of reception of others		5	
Whether to disclose or divulge material information that has not been made public		NO	

Section V Significant Events

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

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

Applicable N/A

According to the plan for profit distribution for 2018 was deliberated and approved by 2018 annual shareholders' meeting. Based on its total of 1,464,752,476 shares, the Company distributed a cash dividend of CNY 15.50 (tax inclusive) per 10 shares to all shareholders. The distribution plan was implemented on 22 August 2019.

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 2019: Based on its total shares, the Company is to distribute a cash dividend of CNY 15.90 (tax inclusive) per 10 shares to all shareholders.

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

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.

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)
2019	2,328,956,436.84	4,641,988,857.03	50.17%	0.00	0.00%	2,328,956,436.84	50.17%
2018	2,270,366,337.80	3,485,643,008.98	65.13%	0.00	0.00%	2,270,366,337.80	65.13%
2017	1,830,940,595.00	2,557,944,598.97	71.58%	0.00	0.00%	1,830,940,595.00	71.58%

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

Applicable N/A

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

Applicable N/A

Bonus shares for every 10 shares (share)	0
Dividends for every 10 shares (CNY) (tax included)	15.9
Total shares as the basis for the preliminary plan for profit distribution (share)	1,464,752,476
Total cash dividends (CNY) (tax included)	2,328,956,436.84
Cash dividends in other forms (e.g. repurchase share)	0.00
Total cash dividends (CNY) (including other forms)	2,328,956,436.84
Distributable profit (CNY)	12,599,746,579.91
Percentage of cash dividends in the total	100%

distributed profit (including other forms)
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 15.90 (tax inclusive) per 10 shares to all shareholders based on its total of 1,464,752,476 shares, according to the Company's actual conditions. The remaining undistributed profit shall be carried forward for future distribution.

3. Performance of undertakings

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

√ Applicable □ N/A

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

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

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

Applicable N/A

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

Applicable N/A

No such cases in the reporting period.

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

Applicable N/A

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

Applicable N/A

1. The Company held the 7th meeting of the ninth board of directors on 25 April 2019, reviewed and approved the *Proposal on Execution of Newly Revised Accounting Standards for Business Enterprises in 2019* and decided to implement four new standards governing financial instruments revised by the Ministry of Finance in 2017 since 1 January 2019 as required by the Ministry of Finance including Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments. The influence of implementing the new standards governing financial instruments on financial statements was shown in the Note 3-44. Changes in significant accounting policies and accounting estimates.

2. The Company held the 9th meeting of the ninth board of directors on 27 August 2019, reviewed and approved the *Proposal on Changes in Accounting Policies* and decided to implement new regulations as required by *Notice on Revising and Issuing 2019 Formats of Financial Statements for General Enterprises* (CK[2019]No.6) issued by the Ministry of Finance since the Interim Report of 2019. Information about adjustment of financial statements was shown in the Note 3-44. Changes in significant accounting policies and accounting estimates.

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
Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.	Establishment
Luzhou Laojiao Whitail Innovative Electronic Commerce Co., Ltd.	Establishment
Luzhou Laojiao Selected Electronic Commerce Co.,	Establishment

Ltd.	
Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd.	Establishment
Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd.	Establishment
Luzhou Laojiao Commercial Development (North America) Co., Ltd.	Establishment

Liquidation and cancellation for subsidiaries in this period

Name	Reason for change
Luzhou Boda Brewing Co., Ltd.	Liquidation and cancellation

9. Engagement and disengagement of CPAs firm

CPAs firm at present

Name of the domestic CPAs firm	Sichuan Huaxin (Group) CPA Firm
The Company's payment for the domestic CPAs firm (CNY'0,000)	90
Consecutive years of the audit service provided by the domestic CPAs firm	21
Names of the certified public accountants from the domestic CPAs firm	Tang Fangmo, Feng Yuan
Consecutive years of the audit service provided by the certified public accountants	Tang Fangmo 1 year, Feng Yuan 2 years

Whether the CPAs firm was changed in the current period

Yes No

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

Applicable N/A

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

10. Possibility of 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 completed in the first instance of Hunan Province Higher People's Court and the final trial of the Supreme People's Court	14,942.5	No	The second trial has been concluded	For the losses that the Company cannot recover through criminal execution procedures, 40% shall be borne by ABC Changsha Yingxin Branch, 20% shall be borne by ABC Changsha Hongxin Branch and the rest shall be borne by the Company itself.	Not executed	15 October 2014	See Section V "Other significant events"
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	Resume to be handled	The case is still pending.	The case is still pending.	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 2019 daily affiliated transactions shall be implemented in accordance with the "Proposal on the estimated 2019 annual daily affiliated transactions" reviewed and approved at the 7th meeting of the ninth board of directors. For details, please refer to Section XII "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 transitions arising from joint investments in external parties

Applicable N/A

No such cases in the reporting period.

16.4. Credits and liabilities with related parties

Applicable N/A

No such cases in the reporting period.

16.5. Other significant related party transactions

Applicable N/A

1. On 15 October 2019, the Company held the 11th meeting of the ninth board of directors, on which the “*Proposal on the affiliated transaction regarding assets purchase*” was reviewed and approved and the Company decided to purchase the land use right, construction in progress and equipment assets from the subsidiary of Laojiao Group with its owned fund of CNY 287,550,400.

2. On 13 December 2019, the Company held the 15th meeting of the ninth board of directors, on which the “*Proposal on the affiliated transaction regarding assets purchase for the technical renovation project of intelligent packaging center*” was reviewed and approved and the Company decided to purchase land use right from the subsidiary of Laojiao Group with its owned fund of CNY 100,776,700.

Index to the current announcements about the said affiliated transactions disclosed:

Title of announcement	Disclosure date	Disclosure website
Announcement on the Affiliated Transaction regarding Assets Purchase	16 October 2019	(http://www.cninfo.com.cn/)
Announcement on the Affiliated Transaction regarding Assets Purchase for the Technical Renovation Project of Intelligent Packaging Center	14 December 2019	(http://www.cninfo.com.cn/)

17. Significant contracts and their execution

17.1. Trusteeship, contracting and leasing

17.1.1. Trusteeship

Applicable N/A

No such cases in the reporting period.

17.1.2. Contracting

Applicable N/A

No such cases in the reporting period.

17.1.3. Leasing

Applicable N/A

No such cases in the reporting period.

17.2. Major guarantees

Applicable N/A

No such cases in the reporting period.

17.3. Entrusted cash asset management

17.3.1. Entrust assets management

Applicable N/A

No such cases in the reporting period.

17.3.2 Entrust loans

Applicable N/A

No such cases in the reporting period.

17.4 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 *2019 Annual Social Responsibilities Report* on the same date of the announcement.

18.2 Information about targeted poverty alleviation

18.2.1 Targeted poverty alleviation plan

A. Basic Strategy

Under the leadership of the central, provincial and municipal party committees and governments, the Company implements poverty alleviation plans of party committees of all levels, closely centers on targeted poverty alleviation, focuses on supporting two villages and one district, (Xiangtian Village, Gulin County, Luzhou; Guntang Village, Hongyuan County, Ngawa Prefecture; and Longmatan District, Luzhou), and provides strong human, material and financial resources, contributing to local poverty alleviation and rural revitalization.

B. Overall Objective

The Company puts full effect into the requirements of party committees and governments at all levels for poverty alleviation, as well as consolidates and enhances the achievements on all fronts based on successful poverty alleviation of two target villages. Anchored by the “rural revitalization strategy”, and aimed at building “new villages of civilization” & “new villages of four goodness”, the Company will take tough measures and address tough challenges to counter weaknesses of villages and towns, further improve the regulation of ecological environment, enhance the competence of villages, strengthen their competitiveness to shake off poverty and become prosperous, and facilitate the high-quality and leaping development of the two villages and one district.

C. Key tasks

The Company persists in the support principle of placing equal importance on “blood transfusion, production and activation” and follows the concepts of providing support based on actual needs and sustainable development. Led by party building, anchored by industrial poverty alleviation, and based on educational poverty alleviation, the Company explores approaches of comprehensive development that solve both superficial and underlying problems, tangibly promotes poverty alleviation and regulation of environment, and ultimately aims to substantially enhance the level of economy, life quality, ecological environment, social governance and cultural education in the two villages and one district.

D. Guarantee measures

The Company fulfills its support responsibilities of “five ones”, which means the work mechanism of “one responsible unit, one person in charge, one support project team, one chief secretary and one resident work team”; consolidates “five pivots”, which refers to “setting the ledger for poverty alleviation, defining the concept of poverty alleviation, drawing the blueprint for poverty alleviation, improving the team for poverty alleviation and building a stricter accountability system”, so as to ensure orderly implementation of poverty alleviation.

18.2.1 Outline of annual targeted poverty alleviation

A. The Company made joint efforts to help consolidate the achievements of poverty alleviation in Hongyuan County and Guntang Village. Based on the conditions of Hongyuan County, the Company followed the principle of “alleviating veritable poverty and veritably alleviating poverty”, conducted detailed study of alleviation projects, implemented alleviation measures and highlighted alleviation effects. It conducted star-rate appraisal and boosted the morale of impoverished people; reinforced talent training and rolled out talent projects; intensified cultural poverty alleviation and enriched spiritual life; developed animal husbandry industry and expanded collective economy; carried out donation activities of “indirect donation through buying and creating wealth through selling”; took actions of consolation and charity.

B. The Company made tangible efforts to help consolidate the achievements of poverty alleviation in Xiangtian Village of Gulin County. It upheld the principle of placing equal importance on “blood transfusion, production and activation”. Led by party building, anchored by industrial poverty alleviation and based on educational poverty alleviation, the Company fulfilled its responsibilities of poverty alleviation for Xiangtian Village on all fronts, and continued to consolidate and enhance the achievements of poverty alleviation in Xiangtian Village. It continued to consolidate the “fish farming on rice fields” project to drive industrial sustainable development; made donations to the “top three projects” of the village to build “inhabitable new homes”; and made donations to Xiangyang Primary School to improve the teaching and learning environment.

C. The Company made active efforts to support the environmental protection in Longmatan District. It donated CNY 40 million for the environmental improvement project along the Yangtze River in Longmatan District to improve the living environment there and facilitate rural revitalization along the River.

18.2.3 Poverty alleviation achievement

Indicator	Unit	Amount/Implementation situation
A. Overall situation	—	—
Including: 1. Fund	CNY 10,000	4,434.29
3. Number of establishing card for archives of poor people out of poverty	Person	443
B. Input by project	—	—
1. Industrial development	—	—
Including: 1.1 Type of poverty alleviation projects for industrial development	—	Poverty alleviation through agriculture and forestry, poverty alleviation through electronic commerce, others
1.2 Number of poverty alleviation projects for industrial development	Item	5
1.3 Amount invested in poverty alleviation projects for industrial development	CNY 10,000	50
1.4 Number of establishing card for archives of poor people out of poverty	Person	358
2. Transfer and employment	—	—
Including: 2.1 Amount invested in vocational training	CNY 10,000	183
2.2 Number of persons engaging in vocational training	Person	929
2.3 Number of establishing card for archives of poor people out of unemployment	Person	25
3. Removal and relocation	—	—
4. Educational poverty alleviation	—	—
Including: 4.1 Input of aiding poor students	CNY 10,000	13.5
4.2 Number of aiding poor students	Person	27
4.3 Amount invested in improving the educational resources in poor areas	CNY 10,000	13
5. Health poverty alleviation	—	—
6. Ecological protection	—	—
Including: 6.1 Type of projects	—	Conduct ecological protection and construction

6.2 Input amount	CNY 10,000	4,000
7. Basic guarantee	—	—
8. Social poverty alleviation	—	—
9. Other project	—	—
Including: 9.1. Item	Item	10
9.2 .Input amount	CNY 10,000	174.79
9.3. Number of establishing card for archives of poor people out of poverty	Person	85
C. Awards (content and level)	—	—
National level		“China Red Cross Contribution Medal” granted by Red Cross Society of China
Provincial level		Outstanding Chief Secretary of Sichuan Province for Yang Guangrong, Chief Secretary sent to Xiangtian Village by the Company
Provincial level		Demonstration Village for Cultural Poverty Alleviation of Sichuan Province for Xiangtian Village under support of the Company
Provincial level		Provincial “Six Nos” Safe Village for Xiangtian Village under support of the Company
Municipal level		“Advanced Enterprise for 100 Enterprises-100 Villages” of Luzhou for the Company
Municipal level		Demonstration Base for Farmers’ Night School of Luzhou for Xiangtian Village under support of the Company

18.2.4 Follow-up poverty alleviation plan

The Company will continue to carry out poverty alleviation in Xiangtian Village of Gulin County, Hongyuan County and Guntang Village, focus on strengthening support to the ideology, concept, confidence, knowledge, technology and mentality of the people in those places, and improve the level of economy, life quality, ecological environment, social governance and education in the two villages. In terms of poverty alleviation to Xiangtian Village of Gulin County, the Company will address problems in infrastructure and public services, make efforts in stabilizing production, guaranteeing supply, increasing farmers’ income and revitalizing villages, make donations to build the base for Chinese herbs, continue vigorous efforts to develop courtyard economy and expand the project of fish farming on rice fields. In terms of poverty alleviation to Hongyuan County and Guntang Village, the Company will continue to increase forces, fund and policy support, consolidate the achievements of poverty alleviation by centering around industrial poverty alleviation, development of product sales channels and cultural and educational poverty alleviation, further improve infrastructure, enhance villagers’ competence, optimize

the rural and community environment, assist to build livestock lanes, remote graze sites, bridges, pasture lane rings, etc., and continue to address problems in Hongyuan County and Guntang Village.

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	41.073mg/L	50mg/L	8.091t	25t/a	No
Luzhou Laojiao Co.,Ltd.	Ammonia nitrogen	Continuous discharge	1	Luohan Base	1.38mg/L	5mg/L	0.313t	2.5t/a	No
Luzhou Laojiao Co.,Ltd.	Total phosphorus	Continuous discharge	1	Luohan Base	0.198 mg/L	0.5 mg/L	0.003t	0.25t/a	No
Luzhou Laojiao Co.,Ltd.	Total nitrogen	Continuous discharge	1	Luohan Base	10.079 mg/L	15 mg/L	0.179t	7.5t/a	No
Luzhou Laojiao Co.,Ltd.	Sulfur dioxide	Continuous discharge	2	Luohan Base	0.37mg/m ³	50mg/m ³	0.44t	4.7t/a	No
Luzhou Laojiao Co.,Ltd.	Oxynitride	Continuous discharge	2	Luohan Base	26.18mg/m ³	200mg/m ³	20.585t	22.1t/a	No
Luzhou Laojiao Co.,Ltd.	PM	Continuous discharge	2	Luohan Base	8.093mg/m ³	20 mg/m ³	0.41t	2.8t/a	No

Information about construction and operation of anti-pollution installations

Waste water: The Company has a waste water treatment station in Luohan Base, which is equipped with an automatic online monitoring instrument for COD, ammonia nitrogen, total phosphorus, total nitrogen PH and flow. The real-time monitoring data is connected with the superior environmental protection department (Luzhou Environmental Information Center) for operation. The waste water

treatment facilities are in normal operation, and the waste water discharge indexes are up to the standard. All production areas of the Company (Luohan Base, National Cellar Base, Xiaoshi Base, Zaojiaoxiang Work Team, Anning Park), 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 waste water treatment station of Luohan Base for discharge up to the standard, which reduced and controlled the hazards of wastewater pollutants to the Yangtze River.

Waste gas: The Company's old brewery in the urban area adopts natural gas boiler which belongs to clean fuel. The boiler of Luohan Base is natural gas boiler after the technical transformation from coal to gas for boilers with low-nitrogen combustion. The online automatic monitoring instrument for waste gas is installed and the waste gas treatment facilities are in normal operation, and the waste gas discharge are up to the standard, which reduced and controlled the hazards of waste gas pollutants to the atmosphere.

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

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. The brewing engineering technical upgrading project, Luzhou Laojiao intelligent packaging center technological upgrading project, sewage station technical upgrading project and boiler upgrading project 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 for environmental emergencies.

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 system will be connected with the superior environmental protection department for operation. Relevant self-monitoring information will be disclosed on the "pollution source monitoring information management and sharing platform of Sichuan province" as required to receive social supervision.

Other information about environmental protection that should be disclosed:

N/A

Other information about environment protection

N/A

19. Other significant events

√ Applicable N/A

A. The Company's three savings deposits of CNY 500 million, including ABC Changsha Yingxin Branch and ICBC Nanyang Zhongzhou Branch are involved in contract disputes. The Company has reported to the public security authorities for intervention with the assets preservation measure and filed civil claims for two contract disputes among the three cases. Combined with the assets preservation situation of the public security authorities and professional legal advice issued by lawyers, the Company has made a provision of CNY 200 million for bad debts for the deposit of CNY 500 million for contract disputes. During the reporting period, the Supreme People's Court made a final judgment on the dispute arising out of the deposit contract between the Company and ABC Changsha Yingxin Branch. In respect of the losses that couldn't be recovered through criminal procedures, ABC Changsha Yingxin Branch should bear 40% of the compensation liability, ABC Changsha Hongxing Branch 20%, and the remaining losses should be borne by the Company. As of 31 March 2020, the Company had recovered an amount of CNY 214,859,700 for three of the disputes. The case between the Company and ICBC Nanyang Zhongzhou Branch is still under trial. Adjustment may be made to the amount of bad debt provisions as the case proceeds.

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	
7 May 2019	2019-11	Announcement of significant litigation progress part IX	
17 May 2019	2019-13	Announcement of significant litigation progress part X	
24 March 2020	2020-7	Announcement of significant litigation progress part XI	

B. The Company held the 7th meeting of the ninth board of directors on 25 April 2019 and the 1st special meeting of shareholders in 2019 on 14 May 2019, reviewed and approved the *Proposal on the Company's Eligibility for Public Offering of Corporate Bond for Qualified Investors* and *Proposal on Plan of Public Offering of Corporate Bond* and agreed the Company's application of public offering of corporate bond for qualified investors. On 26 July 2019, the Company received the *Reply on Approval of Luzhou Laojiao Co., Ltd. Public Offering of Corporate Bond for Qualified Investors* (ZJXK(2019)No. 1312) issued by China Securities Regulatory Commission. On 28 August 2019, the 2019 public offering of corporate bond for qualified investors (Phase I) finished with the issue price of CNY 100 per piece. The final issue scale is CNY 2.5 billion and the final coupon rate is 3.58%. The said bonds were traded in Shenzhen Stock Exchange on 4 September 2019. On 17 March 2020, the 2020 public offering of corporate bond for qualified investors (Phase I) finished with the issue price of CNY 100 per piece. The final issue scale is CNY 1.5 billion and the final coupon rate is 3.50%. The said bonds were traded in Shenzhen Stock Exchange on 25 March 2020.

20. Significant events of subsidiaries

√ Applicable □ N/A

The Company disclosed the technical renovation project of brewing invested by Brewing Company, a subsidiary of the Company. The total investment amount is CNY 7,414,280,000. See details in the announcement *About subsidiary technical renovation project of brewing*, No : 2016-12 (<http://www.cninfo.com.cn/>). As of the end of the reporting period, 85% of this project has been completed.

Section VI Changes in Shares and Information about Shareholders

1. Changes in shares

1.1 Changes in shares

Unit: Share

	Before		Changes in this year (+, -)					After	
	Number	Proportion	Issuance of new shares	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion
I. Restricted shares	4,647,181	0.32%						4,647,181	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	480,515	0.03%						480,515	0.03%
Shares held by domestic individuals	480,515	0.03%						480,515	0.03%
II. Non-restricted shares	1,460,105,295	99.68%						1,460,105,295	99.68%
1. CNY common shares	1,460,105,295	99.68%						1,460,105,295	99.68%
III. Total shares	1,464,752,476	100.00%						1,464,752,476	100.00%

Reasons for the change in shares

 Applicable N/A

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

2. Issuance and listing of securities

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

Applicable N/A

Name of stock and its derivative securities	Issuance date	Issuance price (or interest rate)	Numbers	Listing date	Approved numbers for trading	Expiry date of the trading
Stock						
Convertible corporate bonds, separate bargaining convertible corporate bonds and corporate bonds						
2019 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors (Phase I)	28 August 2019	3.58%	25,000,000	4 September 2019	25,000,000	
Other derivative securities						

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

On 28 August 2019, the Company completed the issuance of 2019 Public Offering of Corporate Bond of Luzhou Laojiao Co., Ltd. for Qualified Investors (Phase I) at CNY 100 per piece. The final actual issuance scale was CNY 2.5 billion and the final coupon rate was 3.58%. The said bonds were traded on Shenzhen Stock Exchange on 4 September 2019.

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

√ Applicable □ N/A

In accordance with the document of ZJXK(2019)No. 1312 issued by China Securities Regulatory Commission, the Company is allowed to publicly offer corporate bonds with face value not exceeding CNY 4 billion for qualified investors. During the reporting period, the Company accomplished the issuance of corporate bonds of CNY 2.5 billion bringing about the increase in total assets and total liabilities of the Company. For more details about changes in structure of the Company's assets and liabilities, please refer to "Section IV Performance Discussion and Analysis" and "Section XI Information about Corporate Bond".

2.3 Existing staff-held shares

□ Applicable √ N/A

3. Shareholders and actual controller

3.1 Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	93,643	Total number of common shareholders at the prior month-end before the disclosure date of the annual report	99,589	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	0	381,088,389		
Luzhou XingLu Investment Group Co., Ltd.	State-owned corporation	24.99%	365,971,142	0	0	365,971,142	Pledged	165,980,000
Hong Kong	Outbound	2.75%	40,310,275	-7,630,905	0	40,310,275		

Securities Clearing Company Limited	corporation							
China Securities Finance Corporation limited	State-owned corporation	2.31%	33,842,059	0	0	33,842,059		
Bank of China Co.,Ltd. - Middle and small capital stocks hybrid securities investment fund by E fund	Other	1.46%	21,379,566	921,183	0	21,379,566		
Central Huijin Asset Management Co.,Ltd.	State-owned	1.43%	20,937,500	0	0	20,937,500		
Agricultural Bank of China Co.,Ltd. - Consumption industry stock based securities investment fund by E fund	Other	1.42%	20,829,830	-3,874,761	0	20,829,830		
Bank of China Co.,Ltd. - Liquor index classification securities investment fund by China Merchants Fund	Other	1.24%	18,105,061	-2,027,296	0	18,105,061		
Industrial and Commercial Bank of China Co., Ltd.-Newly growth hybrid securities investment fund by Invesco Great Wall	Other	1.09%	15,912,158	—	0	15,912,158		
China Life Insurance Co.,Ltd. - Traditional - general insurance products -005L-CT001 SHEN	Other	0.80%	11,781,095	-4,072,007	0	11,781,095		
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	<p>1. Laojiao Group and Xinglu Group are both wholly state-owned companies under the jurisdiction of SASAC of Luzhou. The two companies signed the agreement of persons acting in concert on 31 December 2015. For details, please refer to the announcement of the Company on 5 January 2016 - <i>Announcement on the agreement of persons acting in concert signed by shareholders</i>. The announcement number is 2016-1 (http://www.cninfo.com.cn)</p> <p>2. In addition, whether there is an association between the remaining shareholders or they belong to persons acting in concert is unknown.</p>		
Shareholdings of the top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held in by the end of the reporting period	Type of shares	
		Type	Number
Luzhou Laojiao Group Co., Ltd.	381,088,389	CNY common shares	381,088,389
Luzhou XingLu Investment Group Co., Ltd.	365,971,142	CNY common shares	365,971,142
Hong Kong Securities Clearing Company Limited	40,310,275	CNY common shares	40,310,275
China Securities Finance Corporation limited	33,842,059	CNY common shares	33,842,059
Bank of China Co.,Ltd. – Middle and small capital stocks hybrid securities investment fund by E fund	21,379,566	CNY common shares	21,379,566
Central Huijin Asset Management Co.,Ltd.	20,937,500	CNY common shares	20,937,500
Agricultural Bank of China Co.,Ltd. - Consumption industry stock - based securities investment fund by E fund	20,829,830	CNY common shares	20,829,830
Bank of China Co.,Ltd. – Liquor index classification securities investment fund by China Merchants Fund	18,105,061	CNY common shares	18,105,061
Industrial and Commercial Bank of China Co., Ltd.-Newly growth hybrid securities investment fund by Invesco Great Wall	15,912,158	CNY common shares	15,912,158
China Life Insurance Co.,Ltd. - Traditional - general insurance products -005L-CT001 SHEN	11,781,095	CNY common shares	11,781,095
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	See the table above		

shareholders	
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 top 10 common shareholders did not conduct any promissory repurchase during the reporting period.

3.2 Controlling shareholder

Nature of controlling shareholder: Local state-owned

Type of controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
Luzhou Laojiao Group Co.,Ltd.	Zhang Liang	21 December 2000	91510500723203346U	Investment and asset management; Investment in wine, food, finance, trade, logistics, education, medical and health care, cultural tourism and Internet industries; Holding company services; Social and economic consulting, enterprise management consulting, enterprise management services; Supply chain management services; Import and export business and trade agents; Food production and sales (including online); Crop cultivation and marketing services (including online).
Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period	<p>1. As of 30 June 2019, Laojiao Group holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares.</p> <p>2. As of 30 September 2019, Laojiao Group holds 212,954,666 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its wholly-owned subsidiary, Sichuan Jinduo investment Co., Ltd., accounting for 29.94% of the total issued shares.</p>			

	<p>3. As of 31 December 2019, Laojiao Group holds 475,940,143 shares of Huaxi Securities Co., Ltd. (002926.SZ), accounting for 18.13% of the total issued shares.</p> <p>4. As of 30 June 2019, Laojiao Group holds 325,440,000 shares of Luzhou Bank (01983.HK), accounting for 14.37% of the total issued shares.</p>
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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

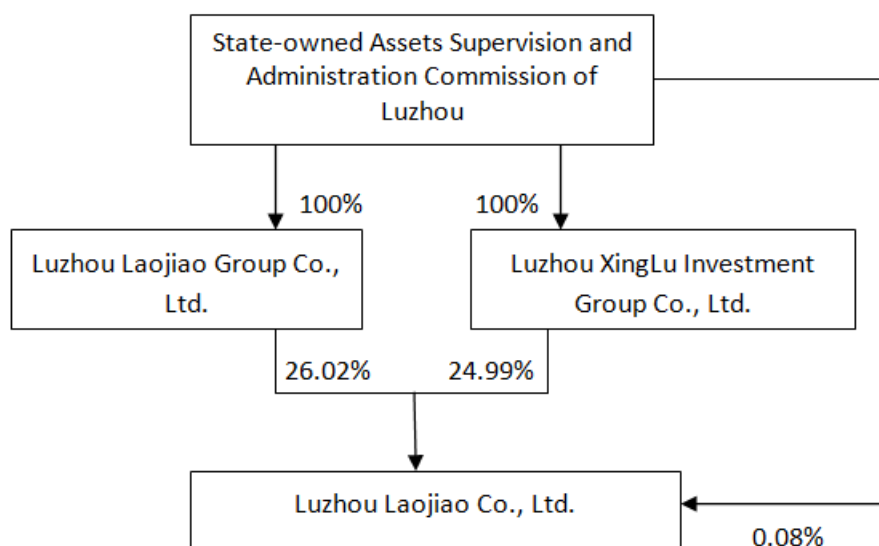
Name of actual controller	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
SASAC of Luzhou	Yu Zhiqiang	1 March 2005	11510400771686813T	State-owned assets supervision and administration department
Share holdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the reporting period.	<p>1. As of 30 June 2019, XingLu Group, a wholly-owned subsidiary of SASAC of Luzhou, holds 511,654,127 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 59.51% of the total issued shares. Luzhou Infrastructure Construction Investment Co., Ltd., a holding subsidiary of XingLu Group, holds 62,709,563 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), and accounting for 7.29% of the total issued shares. Laojiao Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 70,406,310 shares of Luzhou Xinglu Water (Group) Co., Ltd. (02281.HK), accounting for 8.19% of the total issued shares.</p> <p>2. As of 30 September 2019, Laojiao Group holds 212,954,666 shares of Hongli Zhihui Group Co., Ltd. (300219.SZ) through its wholly-owned subsidiary, Sichuan Jinduo investment Co., Ltd., accounting for 29.94% of the total shares issued.</p> <p>3. As of 31 December 2019, 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. Lutianhua Group Company Limited, a wholly-owned subsidiary of Luzhou Industrial Investment Group Co., Ltd., holds 289,858,993 shares of Sichuan Lutianhua Company Limited (000912.SZ), and accounting for 18.49% of the total issued shares.</p> <p>4. As of 31 December 2019, 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.</p> <p>5. As of 30 June 2019, Laojiao Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 325,440,000 shares of Luzhou Bank (01983.HK), accounting for 14.37% of the total issued shares. XingLu Group, a wholly-owned subsidiary under SASAC of Luzhou, holds 40,549,462 shares of Luzhou Bank (01983.HK), accounting for 1.79% of the total issued shares.</p>			

Change of the actual controller during the reporting period

Applicable N/A

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

Ownership and control relations between the actual controller and the Company



The 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 Investment Group Co., Ltd.	Yuan Douquan	28 January 2003	4,934,049,244	Investment and asset management; Project management services; Self-finance real estate business activities; Investment advisory services, financial advisory services

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

Applicable N/A

Section VII Preference Shares

Applicable N/A

No preferred stock in the Company during the reporting period.

Section VIII Information about Convertible Corporate Bond

Applicable N/A

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

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

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

Name	Title	Incumbent / Former	Gender	Age	Period of service	Shares held by the beginning of the reporting period (share)	Shares increased during the reporting period (share)	Shares decreased during the reporting period (share)	Other increase/decrease (share)	Shares held by the end of the reporting period (share)
Liu Miao	Chairman of the board, Secretary of the party committee	Incumbent	Male	50	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	46	2015.6.30-2021.6.27	0	0	0	0	0
Wang Hongbo	Director, Deputy general manager, member of the party committee, Secretary of the board	Incumbent	Male	56	2015.3.06-2021.6.27	0	0	0	0	0
Jiang Yuhui	Director, Deputy general manager,	Incumbent	Female	57	2009.5.20-2021.6.27	254,000	0	0	0	254,000

	member of the party committee, chairman of the labor union									
Shen Caihong	Director, Deputy general manager	Incumbent	Male	54	2002.6.30-2021.6.27	184,500	0	46,125	0	138,375
Du Kunlun	Non-executive director	Incumbent	Male	51	2015.6.30-2021.6.27	0	0	0	0	0
Xu Guoxiang	Non-executive director	Incumbent	Male	60	2015.6.30-2021.6.27	0	0	0	0	0
Tan Lili	Non-executive director	Incumbent	Female	65	2015.6.30-2021.6.27	0	0	0	0	0
Liu Junhai	Non-executive director	Incumbent	Male	50	2018.6.27-2021.6.27	0	0	0	0	0
Qian Xu	External director	Incumbent	Male	56	2015.6.30-2021.6.27	0	0	0	0	0
Ying Hanjie	External director	Incumbent	Male	50	2016.9.13-2021.6.27	0	0	0	0	0
Lian Jing	Supervisor	Incumbent	Male	50	2012.6.27-2021.6.27	0	0	0	0	0
Yang Benhong	Supervisor	Incumbent	Female	53	2009.5.20-2021.6.27	10,000	0	0	0	10,000
Cao Cong	Supervisor	Incumbent	Male	35	2015.6.30-2021.6.27	0	0	0	0	0
Li Guangjie	Supervisor	Incumbent	Male	50	2018.6.27-2021.6.27	0	0	0	0	0
Wu Qin	Deputy general manager	Incumbent	Male	58	2020.1.10-2021.6.27	0	0	0	0	0
Xie Hong	CFO	Incumbent	Female	50	2015.3.06-2021.6.27	0	0	0	0	0
He Cheng	Deputy general manager	Incumbent	Male	53	2015.6.30-2021.6.27	0	0	0	0	0
Zhang	Deputy	Incumbent	Male	48	2015.12.29-2021.6.27	0	0	0	0	0

Suyi	general manager									
Wu Qin	Chairman of supervisory committee	Former	Male	58	2015.6.30-2019.12.30	0	0	0	0	0
Total	--	--	--	--	--	640,687	0	46,125	0	594,562

2. Changes in directors, supervisors, and senior management

√ Applicable □ N/A

Name	Title	Type	Date	Reason
Wu Qin	Chairman of supervisory committee	Leave	2019.12.30	Leave voluntarily
Wu Qin	Deputy general manager	Appoint	2020.1.10	Appointed
Jiang Yuhui	Deputy general manager	Appoint	2020.1.10	Appointed

3. Employment information

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

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

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

Mr. Wang Hongbo, Male, born in 1964, Master degree. He was director and secretary of party committee of Luzhou Commerce Bureau, director of Luzhou Liquor Industry Development Bureau, director of Luzhou branch of China council for the promotion of international trade, deputy secretary general, office

director of Luzhou Municipal Party Committee and deputy secretary of the party committee of the Company. At present, he is director, deputy general manager, secretary of the board, and member of the party committee of the Company and chairman of the board of Luzhou Laojiao International Development (Hong Kong) Co.,Ltd.

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

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

Mr. Du Kunlun, Male, born in 1969, Doctor of Economic, researcher, 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. SCIMEE Tech.&Sci.Co.,Ltd. and Chengdu Jule Food Co., Ltd (company planning to be listed). 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., and China Investment Securities Co., Ltd. He has served as a non-executive director of the Company since June 2018.

Mr. Qian Xu, Male, born in 1963, EMBA. He was general manager and chairman of the board of Beijing Enterprises Real-Estate Group Co.,Ltd.. At present, he is chairman of the board and general manager of Beijing Enterprises Urban Development (Group) Co.,Ltd., chairman of the board of Beijing Properties (Holdings) Limited (Listed on the Hong Kong Stock Exchange), non-executive director of CAQ Holdings Limited (Listed on the Australian Stock Exchange). He has served as a non-executive director of the Company since June 2015.

Mr. Ying Hanjie, Male, born in 1969, Doctor of Biochemistry, and professor. He was deputy director of Pharmacy and Life Sciences School of Nanjing University of Technology. At present, he is 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. Lian Jing, Male, born in 1969, Bachelor degree. He was director of Economic Information Publicity Department of Luzhou Economic and Trade Commission; director of Fixed Assets Investment Department of Luzhou Development Planning Committee; director of Fixed Assets Investment Department of Luzhou Development and Reform Committee; chairman of the board and general manager of Luzhou State-owned Gongfang Operation Management Co., Ltd.; chairman of the board and general manager of Luzhou State-Owned Assets Management Co.,Ltd.; director, deputy general manager, general manager of Luzhou Hongyang State-Owned Assets Management Co.,Ltd; deputy secretary of the party committee, director, general manager of Luzhou Industrial Investment Group Co.,Ltd. At present, he is chairman of the supervisory committee of Luzhou State-Owned Capital operation and management Co. Ltd; executive director and general manager of Luzhou Guoxin Asset Management Co. Ltd; external director of Luzhou XingLu Investment Group Co., Ltd., Luzhou Liquor Industrial Park Development and Investment Co. Ltd., Luzhou Public Transportation Group Co. Ltd., Luzhou Culture Tourism Development Investment Group Co. Ltd. and Sichuan Rongtong Security

Investment Group Co. Ltd. He has served as a supervisor of the Company since June 2012.

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

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

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

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

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

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

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

Position in shareholder-holding companies

Applicable N/A

Name	Name of shareholder-holding companies	Position in shareholder-	Beginning date of term	Ending date of term	Any remunerations

		holding companies			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. SCIMEE Tech.&Sci.Co.,Ltd., Chengdu Jule Food Co., Ltd (company planning to be listed)	Non-executive director			
Du Kunlun	Sichuan Province Institute of Finance and Trade Economics of Social Sciences Academy	Deputy director			
Xu Guoxiang	Shanghai University of Finance and Economics Applied Statistics Research Center	Director			
Xu Guoxiang	Shanghai Xintonglian Packaging Co.,Ltd. and Dazhong Transportation (Group) Co.,Ltd.	Supervisor			
Xu Guoxiang	Orient Securities Co.,Ltd.	Non-executive director			
Tan Lili	Business School of Enterprise Financial Management Association of China	Deputy director			
Tan Lili	Guangzhou Metro Design Institute	Non-executive director			
Liu Junhai	Institute of Commercial Law of Renmin University of China	Director			
Liu Junhai	Tus-Sound Environmental Resources Co., Ltd., China Resources	Non-executive director			

	Double-Crane Pharmaceutical Co., Ltd., China Investment Securities Co., Ltd				
Qian Xu	Beijing Enterprises Urban Development (Group) Co.,Ltd.	Chairman of the board, general manager			
Qian Xu	Beijing Properties (Holdings) Limited	Chairman of the board			
Qian Xu	CAQ Holdings Limited.	Non-executi ve director			
Ying Hanjie	National Biochemical Engineering Technology Research Center of Nanjing University of Technology	Deputy 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., Luzhou Public Transportation Group Co. Ltd., Luzhou Culture Tourism Development Investment Group Co. Ltd., Sichuan Rongtong Security Investment Group Co. Ltd	External director			

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

Applicable N/A

4. Remuneration of directors, supervisors and senior management

The following describes the decision-making procedures, grounds on which decisions are made and

actual remuneration payment of directors, supervisors and senior management.

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

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

Unit CNY 10,000

Name	Position	Gender	Age	Incumbent/ 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	50	Incumbent	70	No
Lin Feng	Director, general manager, Deputy secretary of the party committee	Male	46	Incumbent	70	No
Wang Hongbo	Director, Deputy general manager, member of the party committee, Secretary of the board	Male	56	Incumbent	56	No
Jiang Yuhui	Director, Deputy general manager, member of the	Female	57	Incumbent	56	No

	party committee, chairman of the labor union					
Shen Caihong	Director, Deputy general manager	Male	54	Incumbent	56	No
Du Kunlun	Non-executive director	Male	51	Incumbent	9.52	No
Xu Guoxiang	Non-executive director	Male	60	Incumbent	9.52	No
Tan Lili	Non-executive director	Female	65	Incumbent	9.52	No
Liu Junhai	Non-executive director	Male	50	Incumbent	9.52	No
Qian Xu	External director	Male	56	Incumbent	9.52	No
Ying Hanjie	External director	Male	50	Incumbent	9.52	No
Lian Jing	Supervisor	Male	50	Incumbent	0	No
Yang Benhong	Supervisor	Female	53	Incumbent	46.63	No
Cao Cong	Supervisor	Male	35	Incumbent	41.32	No
Li Guangjie	Supervisor	Male	50	Incumbent	69.71	No
Wu Qin	Deputy general manager	Male	58	Incumbent	56	No
Xie Hong	CFO	Female	50	Incumbent	56	No
He Cheng	Deputy general manager	Male	53	Incumbent	56	No
Zhang Suyi	Deputy general manager	Male	48	Incumbent	56	No
Total	--	--	--	--	746.78	--

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	1,125
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Number of in-service staff of main subsidiaries	2,103
Total number of in-service staff	3,228
Total number of staff with remuneration in the period	3,228
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	861
Functions	
Function by category	Number of staff
Production staff	1,128
Sales staff	824
R&D staff	593
Financial staff	106
Administrative staff	577
Total	3,228
Educational backgrounds	
Educational background by category	Number of staff
Senior high school and below	610
Junior college	1,069
Bachelor	1,278
Master	264
Doctor	7
Total	3,228

5.2 Staff remuneration policy

In 2019, the Company established the distribution policy of "sharing benefits, paying for losses, classification and setting, and long-term policy effects", continuously strengthened the digital assessment, linked individual performance with organizational performance, and highlighted the distribution according to performance. The Company implemented the post rating wage system and strengthened the performance management of all employees. According to the following principles:

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

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

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

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

5.3 Staff training plans

In 2019, based on the staff career development system and job qualification standards, the Company implemented a targeted training system comprising different levels to meet demands for staff ability improvement for different positions and different career development stages.

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

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

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

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

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

5.4 Labor outsourcing

Applicable N/A

Section X Corporate Governance

1. Basic situation of corporate governance

Since it was listed, in accordance with *the Corporate Law, the Securities Law, The Listed Company Governance Standards* and other laws, administrative regulations and departmental rules and normative documents, the Company has constantly perfected corporate governance structure, standardized its operation, established the rules and system on the basis of the Company's articles of association whose main framework is the rules of procedure of the shareholders' general meeting, rules of procedure of the board of directors and rules of procedure of the board of supervisors, which is formed the management system whose main structure is the shareholders meeting, board of directors, board of supervisors and management. During the reporting period, the Company won a number of honors and awards, including "Top 100 Value" for main board listed companies by Securities Times, "2019 Golden Bull Prize for Top 100 Chinese Listed Company" and "2019 Golden Bull Prize for Gold Board Secretary" by China Securities Journal, and "Excellent Board Secretary Award for Listed Companies of Sichuan" by The List Company Association of Sichuan.

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
The First Special Meeting of Shareholders in 2019	Special meeting of shareholders	59.32%	14 May 2019	15 May 2019	“Luzhou Lao Jiao Co., Ltd. The First Special Meeting Resolution Announcement” No:2019-12,

					(http://www.cninfo.com.cn/)
2018 Annual General Meeting of Shareholders	General Meeting of Shareholders	55.84%	27 June 2019	28 June 2019	“Luzhou Lao Jiao Co.,Ltd. 2018 Annual General Meeting Resolution Announcement” Announcement No:2019-17, (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 (times)	Attendance by telecommunication (times)	Attendance through a proxy (times)	Absence (times)	Absence for two consecutive times	Attendance (times)
Du Kunlun	10	1	9	0	0	No	1
Xu Guoxiang	10	1	9	0	0	No	0
Tan Lili	10	1	9	0	0	No	1
Liu Junhai	10	0	10	0	0	No	0

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

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

Yes No

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

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

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

Yes No

Explanation about advice of non-executive directors is adopted or not adopted by the Company or not
The Company adopted the advice of non-executive directors in respect of safe production, system improvement, and internal control construction.

6. Performance of duties by special committees under the broad 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 committees held 7 meetings, providing important support to the decisions of the board. The Audit Committee provided proactive guidance for internal audit, dutifully reviewed the Company's financial report and issued audit opinions in the audit procedures, and raised suggestions on further appointment of the accountant firm; the Strategic Committee conducted careful research on the macro-economic environment and industrial development trends, provided professional opinions on investment in external parties and other issues and effectively guaranteed the strategic orientation of the Company; the Nomination Committee continued to update and improve the Company's database of high-level professionals, providing assurance for the Company's healthy and sustained development; the Remuneration and Appraisal Committee made active steps to urge the Company to establish and optimize a remuneration and appraisal mechanism that conforms with the management policies of modern enterprises and conducted review on the payment and disclosure of the remuneration of the Company's directors and senior management.

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	29 April 2020	
Disclosure index of the internal control self-assessment report	2019 Internal Control Self-assessment Report (http://www.cninfo.com.cn/)	
Ratio of the total assets of the appraised entities to the consolidated total assets	90.00%	
Ratio of the operating revenues of the appraised entities to the consolidated operating revenue	90.00%	
Deficiencies identification standard		
Type	Financial report	Non-financial report
Qualitative standard	Significant deficiencies: (1) Correction of material errors in financial reports that have been announced (except retroactive adjustment of previous years due to changes in policies or other objective factors); (2) Material misstatement of current financial report which was unrecognized but found by the auditor; (3) Corrupt transaction of senior management; (4) Audit committee and internal audit department are not effective to the internal control supervision.	Significant deficiencies: (1) violate national regulations and laws; (2) The Company suffer from lack of major decision-making procedures or unscientific procedures; if there is a decision-making misplay, it will result in significant deal failure (3) The substantial loss of managerial or technical staff; (4) Important business lacks system control or system failure, important economic business has internal control system guidance, but with no effective operation; (5) significant deficiencies of internal control cannot be rectified in time.
Quantitative standard	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	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 $< 3\%$

	<p>assets≤Misstatement<1% of total assets; 3% of total operating revenue≤Misstatement<5% of total operating revenue; 3% of owner's equity≤Misstatement<5% of owner's equity.</p> <p>3. General deficiencies:</p> <p>Misstatement<3% of gross profits;</p> <p>Misstatement<0.5% of total assets;</p> <p>Misstatement<3% of total operating revenue; Misstatement<3% of owner's equity.</p>	
Number of financial-report significant deficiencies		0
Number of non-financial-report significant deficiencies		0
Number of important financial-report related deficiencies		0
Number of important Non-financial-report related 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	29 April 2020
Disclosure index of the internal control audit report	2019 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 XI Information about Corporate Bond

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

Yes

1. Basic information about the corporate bond

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

							interests will be paid once every year and the interests for the last installment will be paid together with the principal.
Listed or transferred trading place of corporate bond	Shenzhen Stock Exchange						
Appropriate arrangement of the investors	The bonds are applicable to eligible investors who have qualified securities accounts with Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., are permitted to engage in the subscription and transfer of corporate bonds in accordance with the <i>Management Measures for the Issue and Transaction Management of Corporate Bonds</i> , <i>Management Measures for the Suitability of Securities and Futures Investors</i> , <i>Management Measures of Shenzhen Stock Exchange for the Suitability of Securities Market Investors</i> , and relevant laws and regulations, and have the corresponding risk identification and bearing capacity (excluding those prohibited by laws and regulations)						
Interest payment during the reporting period	"19 Lao Jiao 01" and "20 Lao Jiao 02" have not reached the interests payment period;						
Execution of the relevant regulations during the reporting period such as the affiliated option clause of the issuers or investors, special clauses such as the exchangeable regulations of corporate bond (if applicable)	The term of "19 Lao Jiao 01" is five years with the issuer's option for adjustment to the stated interest rate and the investor's option for sell back at the end of the 3 rd year						

2. List of the bond trustee and the rating organization

Bond trustee:							
Name	China International Capital Corporation Limited.	Office address	27 th and 28 th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang	Contact person	Ma Sichong, Huang Jiening, Pan Xiaofei, Xie Ci, Qi Qin, Feng Jin, Yan Jie, Wang	Contact number	(010) 65051166

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

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

Information about usage of fund-raising and the execution process of corporate bond	The Company raised a fund of CNY 2.5 billion through the issue of corporate bonds on 26 August 2019. After deduction of the issue fees, the balance amount was set to use in the technical renovation project of brewing (Phase II), Project of Intelligent Upgrading and Building of the Information Management System, Project of Acquiring Sealing Equipment for the Cellar of Huangyi Brewing Base and Project of Acquiring Accessory Equipment for Leaven Making for Huangyi Brewing Base. As of 31 December 2019, CNY 2,003,815,000 of the fund-raising through the issue of corporate bonds had been used.
Closing balance (CNY 10,000)	50,001.54
Operating situation of the fund-raising special account	In accordance with related laws and regulations, the Company has designated an account specifically for fundraising to receive, deposit and transfer funds raised through the issue of corporate bonds and pay interests and principals. Details of this bank account are as follows: account name: Luzhou Laojiao Co., Ltd.; bank: CGB Chengdu Branch; account number: 9550880046723000135. The Company has signed a third-party regulation agreement with the bank and the trustee.
Whether the usage of the fund-raising met with the usage, using plan and other agreements committed on the prospectus	The usage of the fund-raising met with the usage committed on the prospectus

4. Rating situation of corporate bond information

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

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

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

Not applicable

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

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

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

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

CICC produced an interim report on the trusteeship affairs for the Company’s involvement of significant litigation and disclosed it synchronously on cninfo (www.cninfo.com.cn).

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

Unit: CNY 10,000

Item	2019	2018	YoY change
EBITDA	641,080.79	488,743.51	31.17%
Current ratio	240.36%	286.11%	-45.75%
Asset-liability ratio	32.38%	24.25%	8.13%
Quick ratio	184.48%	223.93%	-39.45%

Total debt ratio of EBITDA	257.37%	0.00%	
Times interest earned	41.31	73.01	-43.42%
Times interest earned of EBITDA	42.42	75.54	-43.84%

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

√ Applicable □ N/A

1. EBITDA increased 31.17% year-on-year, mainly due to increase in sales revenue and net profit for the reporting period.
2. Current ratio decreased 45.75% year-on-year, mainly due to increase in advances from customer and accounts payable of current liabilities for the reporting period.
3. Quick ratio decreased 39.45% year-on-year, mainly due to increase in advances from customer and accounts payable of current liabilities for the reporting period.
4. Times interest earned decreased 43.42% year-on-year, mainly due to increase in interest expense for the reporting period.
5. Times interest earned of EBITDA decreased 43.84% year-on-year, mainly due to increase in interest expense for the reporting period.

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

Not applicable

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

Not applicable

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

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

12. Significant events occurring during the reporting period

No significant events during the reporting period.

13. Whether there was guarantor of the corporate bond

Yes No

Section XII Financial Report

1. Auditor's report

Type of audit report	Standard without reserved opinion
Signing date of auditor's report	27 April 2020
Name of Audit	Sichuan Huaxin (Group) CPA Firm
No. of auditor's report	Chuan Huaxin Audit [2020] No.0032
Names of auditors	Feng Yuan, Tang Fangmo

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 2019, 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 2019 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
<p>In 2019, the Company's total operating revenue is CNY 15.817 billion, including CNY 15.473 billion of domestic liquor sales revenue, accounting for 97.83% of the total operating revenue.</p> <p>Considering the significant amount of the Company's domestic liquor sales revenue, we pay attention to it as a key audit matter.</p>	<p>Our procedures in relation to recognition of domestic liquor sales revenue included:</p> <ol style="list-style-type: none"> 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 10.447 billion, accounting for 66.05% 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: <ol style="list-style-type: none"> (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

	<p>related party of the Company.</p> <p>4. For other customers, randomly checked sales contracts, customers' purchase orders, shipping documents, transport documents, accounting vouchers, payment receipts, customer signature records and other materials to verify the occurrence, completeness and accuracy of the revenue recognized by the management.</p> <p>5. Selected the confirmation voucher of large amount of sales before and after the balance sheet date, paid attention to the date of sales invoice and customer receipt, and paid attention to whether there is a large amount of return after the period, so as to verify whether the corresponding revenue is included in the appropriate accounting period.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's recognition of domestic liquor sales revenue.</p>
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2. Key audit matters-Existence of bank deposits

Key audit matters	How our audit addressed the Key Audit Matter
<p>As of 31 December 2019, the bank balance of the Company is CNY 9.744 billion, accounting for 33.69% 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.</p>	<p>Our procedures in relation to existence of bank deposits included:</p> <ol style="list-style-type: none"> 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

	<p>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.</p> <p>6. Obtained and reviewed time deposits or structured deposit agreements, identified the types of relevant bank deposits, analyzed the principal and interest recovery risks, and judged the adequacy of the disclosure.</p> <p>7. Inquired the management and relevant personnel about the purpose of all bank accounts on the Company's books and analyzed whether there are abnormal use or bank accounts opened for unknown reasons.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's assertion of the existence of bank deposits.</p>
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3. Key audit matters-Recognition of the book value of technical renovation project of brewing industry

Key audit matters	How our audit addressed the Key Audit Matter
<p>As of 31 December 2019, an amount of CNY 6.363 billion was spent on the technical renovation project of brewing, one of the construction in progress; the closing balance was CNY 6.072 billion, accounting for 21.00% of the total assets; an amount of CNY 4 billion was spent in 2019. Some sub-projects had reached the expected usable state and been transferred into fixed assets. The total increase in fixed assets from the transfer was CNY 290 million, all of which was from transfer in 2019. Because the amount spent on the technical renovation project of brewing is significant, the amount of transfer from construction in progress to fixed assets involves the estimation and judgment of the management, and the withdrawal of depreciation costs has direct impact on the current profit, we have paid attention to the recognition of the book value of the technical renovation project of brewing as a key audit matter.</p>	<p>Our procedures in relation to the recognition of the book value of the technical renovation project of brewing included:</p> <ol style="list-style-type: none"> 1. Understood and tested the design and implementation of key internal controls related to the assets management cycle to confirm the effectiveness of relevant internal controls. 2. We selected samples for new important amounts occurred in the current period with regard to the technical renovation project of brewing, reviewed the ledger of the project contracts, and examined supporting documents related to it, including tender and bidding documents, project establishment or budget documents, project contracts and invoices, final statement of the project, procurement contracts and invoices, and payment approvals. 3. We selected samples for new important amounts transferred into fixed assets in the current period with regard to the technical renovation project of brewing, examined reports on final statement for completed sub-projects and inspection reports or information on pre-transfers into fixed assets, and confirmed the accuracy of the time point of transfers from projects in

	<p>progress to fixed assets through survey at project construction sites and interviews with project management personnel. Based on our understanding and comparison, we assessed the reasonableness of the management's estimation on the service life and net salvage value of the part transferred into fixed assets.</p> <p>4. We checked the status of the technical renovation project of brewing through site survey, observed, understood and inquired about the project progress and construction statuses, and compared the project progress report and the actual progress.</p> <p>The evidence obtained from the above audit procedures can support the Company's management's assertion of the recognition of the book value of the technical renovation project of brewing.</p>
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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, 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 31 December 2019

Monetary Unit: CNY

Item	Balance as at 31 December 2019	Balance as at 31 December 2018
Current assets:		
Cash and cash equivalents	9,753,666,526.78	9,367,386,627.68
Settlement reserves		
Lending funds		
Held-for-trading financial assets		
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes receivables		2,388,326,476.15
Accounts receivables	18,293,914.23	10,333,728.87
Accounts receivables financing	2,393,797,259.80	
Prepayment	151,818,448.48	137,243,573.66
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve		
Other receivables	159,753,421.64	166,525,010.16

Including: Interests receivable	45,636,744.44	29,970,944.44
Dividends receivable		
Buying back the sale of financial assets		
Inventories	3,641,235,092.33	3,230,415,749.95
Contractual assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	195,174,048.57	194,237,237.02
Total current assets	16,313,738,711.83	15,494,468,403.49
Non-current assets:		
Disbursement of loans and advances		
Investments in debt obligations		
Available-for-sale financial assets		275,819,448.46
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	2,230,721,725.72	2,091,103,348.61
Investments in other equity instruments	352,395,255.78	
Other non-current financial assets		
Investment property		
Fixed assets	1,518,865,397.91	1,029,666,915.47
Construction in progress	7,257,393,087.56	3,000,489,249.86
Productive biological assets		
Oil and gas assets		
Use right assets		
Intangible assets	332,234,032.47	231,967,372.88
Development expenses		
Goodwill		
Long-term deferred expenses	928,805.23	
Deferred tax assets	676,152,614.07	436,434,961.24

Other non-current assets	237,539,447.75	44,979,896.41
Total non-current assets	12,606,230,366.49	7,110,461,192.93
Total assets	28,919,969,078.32	22,604,929,596.42
Current liabilities:		
Short-term loans		
Borrowings from the central bank		
Loans from other banks		
Held-for-trading financial liabilities		
Financial liabilities measured at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,868,623,958.02	1,292,050,954.06
Advance from customer	2,244,442,643.64	1,604,425,189.96
Contractual liabilities		
Financial assets sold for repurchase		
Deposits from customers and inter-bank		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Employee benefits payable	342,025,687.49	268,092,193.50
Taxes payable	1,633,044,231.67	1,648,028,076.07
Other payable	698,942,399.37	602,887,024.88
Including: Interests payable	30,650,684.93	
Dividends payable		
Handling charges and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	6,787,078,920.19	5,415,483,438.47
Non-current liabilities:		

Insurance contract reserves		
Long-term loans		
Bonds payable	2,490,883,676.39	
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payables		
Accrued liabilities		
Deferred income	23,845,000.00	20,981,155.00
Deferred tax liabilities	63,430,453.64	44,252,383.96
Other non-current liabilities		
Total non-current liabilities	2,578,159,130.03	65,233,538.96
Total liabilities	9,365,238,050.22	5,480,716,977.43
Shareholders' equity		
Share capital	1,464,752,476.00	1,464,752,476.00
Other equity instruments		
Including: preference shares		
Perpetual bonds		
Capital reserves	3,722,777,063.13	3,716,675,022.48
Less: treasury stock		
Other comprehensive income	194,817,130.57	136,592,276.64
Special reserves		
Surplus reserves	1,464,752,476.00	1,464,752,476.00
General risk reserve		
Undistributed profits	12,559,746,579.91	10,181,899,224.84
Total equity attributable to owners of the parent company	19,406,845,725.61	16,964,671,475.96
Non-controlling interests	147,885,302.49	159,541,143.03
Total owners' equity	19,554,731,028.10	17,124,212,618.99
Total liabilities and owners' equity	28,919,969,078.32	22,604,929,596.42

Legal representative: Liu Miao

Person in charge of accounting affairs: Xie Hong

Person in charge of accounting department: Yan Li

Balance sheet of parent company
As at 31 December 2019

Monetary Unit: CNY

Item	Balance as at 31 December 2019	Balance as at 31 December 2018
Current assets:		
Cash and cash equivalents	8,872,692,385.79	6,189,473,157.83
Held-for-trading financial assets		
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes receivables		
Accounts receivables	21,562.85	67,698.43
Accounts receivables financing		
Prepayment	11,682,593.27	7,212,512.57
Other receivables	5,850,481,480.50	4,657,727,046.02
Including: Interests receivable	40,570,144.44	29,970,944.44
Dividends receivable		
Inventories	1,049,384.24	383,404.53
Contractual assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	5,562,360.72	1,761,708.33
Total current assets	14,741,489,767.37	10,856,625,527.71
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		275,490,526.83
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,636,681,853.83	5,494,914,376.71
Investments in other equity instruments	352,066,334.15	
Other non-current financial assets		

Investment property		
Fixed assets	601,481,983.81	701,870,689.02
Construction in progress	967,953,263.55	511,528,278.96
Productive biological assets		
Oil and gas assets		
Use right assets		
Intangible assets	297,830,285.02	224,039,846.61
Development expenses		
Goodwill		
Long-term deferred expenses	777,834.15	
Deferred tax assets	75,249,717.72	71,119,598.96
Other non-current assets		
Total non-current assets	7,932,041,272.23	7,278,963,317.09
Total assets	22,673,531,039.60	18,135,588,844.80
Current liabilities:		
Short-term loans		
Held-for-trading financial liabilities		
Financial liabilities measured at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	87,652,671.29	38,984,611.48
Advance from customer	9,712,630.35	12,229,153.62
Contractual liabilities		
Employee benefits payable	116,124,722.19	67,383,911.98
Taxes payable	82,399,599.18	115,424,262.03
Other payables	1,099,598,588.83	1,788,068,491.88
Including: Interests payable	30,650,684.93	
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,395,488,211.84	2,022,090,430.99
Non-current liabilities:		

Long-term loans		
Bonds payable	2,490,883,676.39	
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payables		
Accrued liabilities		
Deferred income	2,380,000.00	12,593,640.12
Deferred tax liabilities	63,430,453.64	44,252,383.96
Other non-current liabilities		
Total non-current liabilities	2,556,694,130.03	56,846,024.08
Total liabilities	3,952,182,341.87	2,078,936,455.07
Shareholders' equity		
Share capital	1,464,752,476.00	1,464,752,476.00
Other equity instruments		
Including: preference shares		
Perpetual bonds		
Capital reserves	3,706,816,950.12	3,706,816,950.12
Less: treasury stock		
Other comprehensive income	192,332,738.05	134,386,305.26
Special reserves		
Surplus reserves	1,464,752,476.00	1,464,752,476.00
Undistributed profits	11,892,694,057.56	9,285,944,182.35
Total owners' equity	18,721,348,697.73	16,056,652,389.73
Total liabilities and owners' equity	22,673,531,039.60	18,135,588,844.80

Consolidated income statement

Monetary Unit: CNY

Item	Year 2019	Year 2018
1. Total operating revenue	15,816,934,272.86	13,055,465,761.55
Including: Operating revenue	15,816,934,272.86	13,055,465,761.55
Interest income		
Earned premium		

Fee and commission income		
2. Total operating costs	9,922,882,478.20	8,502,113,044.92
Including: Cost of sales	3,065,418,048.38	2,934,001,858.91
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	1,975,858,645.23	1,605,835,052.97
Selling and distribution expenses	4,186,102,153.59	3,392,721,432.33
General and administrative expenses	828,945,024.92	722,448,972.80
Research and Development expenses	71,643,099.77	62,172,210.70
Financial expenses	-205,084,493.69	-215,066,482.79
Including: Interest expenses	139,603,113.82	64,698,037.12
Interest income	344,656,931.22	280,805,447.66
Plus: Other income	43,969,302.07	24,092,326.81
Investment income ("-" for losses)	154,711,995.41	97,993,563.50
Including: income from investment in associates and joint ventures	145,963,325.70	88,881,022.50
Income from the derecognition of financial assets measured at amortized cost ("-" for losses)		
Foreign exchange gains ("-" for losses)		
Net gain on exposure hedges ("-" for losses)		
Gains from the changes in fair values ("-" for losses)		
Credit impairment losses ("-" for losses)	-618,334.74	
Impairment losses ("-" for losses)		2,035,339.62
Gains from disposal of assets ("-" for losses)	27,180,182.25	-492,389.13
3. Operating profits ("-" for losses)	6,119,294,939.65	4,676,981,557.43
Plus: non-operating income	44,307,757.49	31,232,477.21
Less: non-operating expenses	59,786,505.46	49,528,449.09
4. Total profits before tax ("-" for total losses)	6,103,816,191.68	4,658,685,585.55
Less: income tax expenses	1,461,580,689.27	1,148,219,697.12
5. Net profit ("-" for net loss)	4,642,235,502.41	3,510,465,888.43

5.1 By operating continuity		
5.1.1 Net profit from continuing operation ("- " for losses)	4,642,235,502.41	3,510,465,888.43
5.1.2 Net profit from discontinued operation ("- " for losses)		
5.2 By ownership		
1) Attributable to owners of the parent company	4,641,988,857.03	3,485,643,008.98
2) Attributable to non-controlling interests	246,645.38	24,822,879.45
6. Net of tax from other comprehensive income	25,099,247.90	-33,987,321.62
Net of tax from other comprehensive income to the owner of the parent company	24,585,285.17	-34,635,015.55
6.1 Other comprehensive income cannot reclassified into the profit and loss:	19,018,838.37	
1) Remeasure the variation of net indebtedness or net asset of defined benefit plans		
2) Share in other comprehensive income that cannot be classified into profit and loss under equity method		
3) Changes in fair value of investments in other equity instruments	19,018,838.37	
4) Changes in fair value of the company's credit risks		
5) Other		
6.2 Other comprehensive income that will be reclassified into the profit and loss	5,566,446.80	-34,635,015.55
1) Share in other comprehensive income that will be classified into profit and loss under equity method	4,938,830.88	-359,548.90
2) Changes in fair value of investments in other debt obligations		
3) Changes in fair value of available-for-sale financial assets		-35,066,257.04
4) Other comprehensive income arising from the reclassification of financial assets		
5) Held-to-maturity investment reclassified into available-for sale financial assets		
6) Allowance for credit impairments in investments in other debt obligations		
7) Reserve for cash-flow hedge		
8) Balance arising from the translation of foreign currency financial statements	627,615.92	790,790.39
9) Others		
Net of tax from other comprehensive income to non-controlling interests	513,962.73	647,693.93

7. Total comprehensive income	4,667,334,750.31	3,476,478,566.81
Total comprehensive income attributable to owners of the parent company	4,666,574,142.20	3,451,007,993.43
Total comprehensive income attributable to non-controlling interests	760,608.11	25,470,573.38
8. Earnings per share		
(1) Basic earnings per share	3.17	2.38
(2) Diluted earnings per share	3.17	2.38

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 2019	Year 2018
1. Operating revenue	4,886,810,422.27	3,361,304,739.27
Less: Cost of sales	3,494,194,921.16	2,268,904,672.24
Taxes and surcharges	35,721,430.12	37,365,858.48
Selling and distribution expenses		
General and administrative expenses	667,996,227.68	581,921,594.90
Research and Development expenses	29,631,770.27	21,001,230.12
Financial expenses	-234,014,687.01	-129,471,683.37
Including: Interest expenses	40,008,978.03	7,971,444.41
Interest income	275,281,390.78	138,532,722.84
Plus: Other income	21,882,835.13	17,701,808.96
Investment income ("-" for losses)	4,196,863,510.68	2,113,902,599.28
Including: income from investment in associates and joint ventures	145,963,325.70	88,881,022.50
Income from the derecognition of financial assets at amortized cost ("-" for losses)		
Net gain on exposure hedges ("-" for losses)		
Gains from the changes in fair values ("-" for losses)		
Credit impairment losses ("-" for losses)	-58,058.02	
Asset impairment losses ("-" for losses)		2,965,798.28

Gains from disposal of assets("-" for losses)	27,050,240.74	-492,389.13
2. Operating profits ("-" for losses)	5,139,019,288.58	2,715,660,884.29
Plus: non-operating income	24,397,783.88	21,778,771.14
Less: non-operating expenses	56,307,795.01	39,292,792.61
3. Total profits before tax ("-" for total losses)	5,107,109,277.45	2,698,146,862.82
Less: income tax expenses	235,868,705.50	140,164,527.27
4. Net profit ("-" for net loss)	4,871,240,571.95	2,557,982,335.55
4.1 Net profit from continuing operation ("-" for losses)	4,871,240,571.95	2,557,982,335.55
4.2 Net profit from discontinued operation ("-" for losses)		
5. Net of tax from other comprehensive income	23,957,669.25	-35,425,805.94
5.1 Other comprehensive income cannot reclassified into the profit and loss:	19,018,838.37	
1) Remeasure the variation of net indebtedness or net asset of defined benefit plans		
2) Share in other comprehensive income that cannot be classified into profit and loss under equity method		
3) Changes in fair value of investments in other equity instruments	19,018,838.37	
4) Changes in fair value of the company's credit risks		
5) Other		
5.2 Other comprehensive income that will be reclassified into the profit and loss	4,938,830.88	-35,425,805.94
1) Share in other comprehensive income that will be classified into profit and loss under equity method	4,938,830.88	-359,548.90
2) Changes in fair value of investments in other debt obligations		
3) Changes in fair value of available-for-sale financial assets		-35,066,257.04
4) Other comprehensive income arising from the reclassification of financial assets		
5) Held-to-maturity investment reclassified into available-for sale financial assets		
6) Allowance for credit impairments in investments in other debt obligations		
7) Reserve for cash-flow hedge		
8) Balance arising from the translation of foreign currency financial statements		
9) Others		

6. Total comprehensive income	4,895,198,241.20	2,522,556,529.61
7. Earnings per share		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Consolidated statement of cash flows

Monetary Unit: CNY

Item	Year 2019	Year 2018
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	18,483,174,163.09	14,828,436,081.11
Net increase in customer bank deposits and placement from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interest, handling charges and commissions		
Net increase in placements from other financial institutions		
Net capital increase in repurchase business		
Net cash received from customer brokerage deposits		
Refunds of taxes and surcharges	5,043,369.84	5,786,338.67
Cash received from other operating activities	628,136,779.70	482,593,561.94
Subtotal of cash inflows from operating activities	19,116,354,312.63	15,316,815,981.72
Cash paid for goods purchased and services received	5,306,328,780.97	3,826,697,226.55
Net increase in loans and advances to customers		
Net increase in deposits in central bank and other banks and financial institutions		
Cash paid for original insurance contract claims		
Net increase in lending funds		
Cash paid for interests, handling charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	765,303,405.29	569,194,842.30

Cash paid for taxes and surcharges	4,932,650,062.18	3,545,440,004.11
Cash paid for other operating activities	3,270,452,860.33	3,077,567,890.52
Subtotal of cash outflows from operating activities	14,274,735,108.77	11,018,899,963.48
Net cash flows from operating activities	4,841,619,203.86	4,297,916,018.24
2. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments	29,483,836.65	19,480,124.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	33,045,256.91	222,840.26
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	62,529,093.56	19,702,964.73
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	4,605,226,214.50	1,468,482,777.22
Cash paid for investments	8,000,000.00	16,636,159.43
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	4,613,226,214.50	1,485,118,936.65
Net cash flows from investing activities	-4,550,697,120.94	-1,465,415,971.92
3. Cash flows from financing activities		
Cash received from investors	3,834,692.00	4,482,764.00
Including: cash received by subsidiaries from investments by minority shareholders	3,834,692.00	
Cash received from borrowings		
Cash received from bonds issue	2,490,000,000.00	
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	2,493,834,692.00	4,482,764.00
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	2,390,250,207.80	1,911,545,067.51
Including: dividends and profits paid to minority shareholders by subsidiaries		
Cash paid for other financing activities	10,149,100.00	9,604,800.00
Subtotal of cash outflows from financing activities	2,400,399,307.80	1,921,149,867.51

Net cash flows from financing activities	93,435,384.20	-1,916,667,103.51
4. Effect of fluctuation in exchange rate on cash and cash equivalents	1,922,431.98	731,529.96
5. Net increase in cash and cash equivalents	386,279,899.10	916,564,472.77
Plus: balance of cash and cash equivalents at the beginning of the period	9,365,986,627.68	8,449,422,154.91
6. Balance of cash and cash equivalents at the end of the period	9,752,266,526.78	9,365,986,627.68

Cash flow statements of parent company

Monetary Unit: CNY

Item	Year 2019	Year 2018
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	5,524,665,200.15	3,872,690,184.06
Refunds of taxes and surcharges		
Cash received from other operating activities	336,073,969.61	285,339,299.49
Subtotal of cash inflows from operating activities	5,860,739,169.76	4,158,029,483.55
Cash paid for goods purchased and services received	4,128,632,128.61	2,706,797,292.39
Cash paid to and on behalf of employees	277,720,935.68	253,037,938.15
Cash paid for taxes and surcharges	458,233,955.78	304,535,780.73
Cash paid for other operating activities	209,925,720.97	179,745,316.75
Subtotal of cash outflows from operating activities	5,074,512,741.04	3,444,116,328.02
Net cash flows from operating activities	786,226,428.72	713,913,155.53
2. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments	4,071,635,351.92	2,035,389,160.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32,304,306.23	92,898.13
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	4,103,939,658.15	2,035,482,058.38
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	497,241,658.62	150,107,386.59

Cash paid for investments	10,149,100.00	26,240,959.43
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	507,390,758.62	176,348,346.02
Net cash flows from investing activities	3,596,548,899.53	1,859,133,712.36
3. Cash flows from financing activities		
Cash received from investors		
Cash received from loans		
Cash received from bonds issue	2,490,000,000.00	
Cash received from other financing activities		1,830,167,429.42
Subtotal of cash inflows from financing activities	2,490,000,000.00	1,830,167,429.42
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	2,278,840,954.51	1,844,793,539.38
Cash paid for other financing activities	1,910,715,145.78	
Subtotal of cash outflows from financing activities	4,189,556,100.29	1,844,793,539.38
Net cash flows from financing activities	-1,699,556,100.29	-14,626,109.96
4. Effect of fluctuation in exchange rate on cash and cash equivalents		
5. Net increase in cash and cash equivalents	2,683,219,227.96	2,558,420,757.93
Plus: balance of cash and cash equivalents at the beginning of the period	6,189,473,157.83	3,631,052,399.90
6. Balance of cash and cash equivalents at the end of the period	8,872,692,385.79	6,189,473,157.83

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2019

Monetary Unit: CNY

Item	Year 2019													Non-controlling interests	Total shareholders' equity
	Equity attributable to owners of the parent company														
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	Subtotal		
	Preferred stock	Perpetual bond	Other												
1. Balance as at	1,464,				3,716,6		136,59		1,464,7		10,181,		16,964,	159,54	17,124,

31 December of last year	752,476.00			75,022.48		2,276.64		52,476.00		899,224.84		671,475.96	1,143.03	212,618.99
Plus: adjustments for changes in accounting policies						33,639,568.76				6,224,835.84		39,864,404.60		39,864,404.60
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			3,716,675,022.48		170,231,845.40		1,464,752,476.00		10,188,124,060.68		17,004,535,880.56	159,543	17,164,077,023.59
3. Increases/decreases in the current year ("-" for decreases)				6,102,040.65		24,585,285.17				2,371,622,519.23		2,402,309,845.05	-11,655,840.54	2,390,654,004.51
(1) Total comprehensive income						24,585,285.17				4,641,988,857.03		4,666,574,142.20	760,608.11	4,667,334,750.31
(2) Capital contributed or reduced by owners													1,334,692.00	1,334,692.00
Capital contributions by owners													1,334,692.00	1,334,692.00
Capital contributions by other equity instruments holders														
Amounts of share-based payments recognized in														

owners' equity															
Others															
(3) Profit distribution										-2,270,366.33		-2,270,366.33		-2,270,366.33	
Withdrawal of surplus reserves										7.80		7.80		7.80	
Withdrawal of general risk reserve															
Profit distributed to owners (or shareholders)										-2,270,366.33		-2,270,366.33		-2,270,366.33	
Others										7.80		7.80		7.80	
(4) Internal carry-forward of owners' equity															
Conversion of capital reserves into paid-in capital															
Conversion of surplus reserves into paid-in capital															
Surplus reserves offsetting losses															
Carry-forward of retained earnings from changes in defined benefit plans															
Carry-forward of retained earnings from other comprehensive income															
Others															
(5) Special reserves															

Withdrawal for the period														
Use for the period														
(6) Others				6,102,040.65								6,102,040.65	-13,751,140.65	-7,649,100.00
4. Balance as at 31 December of the current year	1,464,752,476.00			3,722,777,063.13		194,817,130.57		1,464,752,476.00		12,559,746,579.91		19,406,845,725.61	147,885,302.49	19,554,731,028.10

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	Other	Subtotal		
		Preferred 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		15,171,448,756.68	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 January 1 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		15,171,448,756.68	141,145,455.42	15,312,594,212.10
3. Increases/decreases					173,150.00		-34,635.00				1,654,700.00		1,793,200.00	18,395,600.00	1,811,610.00

reases in the current year (“-” for decreases)					5,320.85							02,413.98		22,719.28	87.61	8,406.89
(1) Total comprehensive income												3,485,643,008.98		3,451,007,993.43	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		-1,830,940,595.00	28,144.89	-1,830,912,450.11
Withdrawal of surplus reserves																
Withdrawal of general risk reserve																
Profit distributed to owners (or shareholders)												-1,830,940,595.00		-1,830,940,595.00	28,144.89	-1,830,912,450.11
Others																
(4) Internal carry-forward of owners' equity																
Conversion of																

	capital	instruments			reserve	Treasury stock	Comprehensive Income	reserve	reserve	distributed profit		shareholders' equity
		Preferr ed stock	Perpet ual bond	Other								
1. Balance as at 31 December of last 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
Plus: adjustments for changes in accounting policies							33,988,763.54			5,875,641.06		39,864,404.60
Adjustments for correction of accounting errors in prior year												
Others												
2. Balance as at January 1 of the current year	1,464,752,476.00				3,706,816,950.12		168,375,068.80		1,464,752,476.00	9,291,819,823.41		16,096,516,794.33
3. Increases/decreases in the current year ("-" for decreases)							23,957,669.25			2,600,874,234.15		2,624,831,903.40
(1) Other comprehensive income							23,957,669.25			4,871,240,571.95		4,895,198,241.20
(2) Capital contributed or reduced by owners												
Capital contributions by owners												
Capital contributions by other equity instruments holders												
Amounts of share-based payments												

recognized in owners' equity												
Others												
(3) Profit distribution									-2,270,366,337.80			-2,270,366,337.80
Withdrawal of surplus reserves												
Profit distributed to owners (or shareholders)									-2,270,366,337.80			-2,270,366,337.80
Others												
(4) Internal carry-forward of owners' equity												
Conversion of capital reserves into paid-in capital												
Conversion of surplus reserves into paid-in capital												
Surplus reserves offsetting losses												
Carry-forward of retained earnings from changes in defined benefit plans												
Carry-forward of retained earnings from other comprehensive income												
Others												
(5) Special reserves												
Withdrawal for the period												
Use for the period												

(6) Others												
4. Balance as at 31 December of the current year	1,464,752,476.00				3,706,816,950.12		192,332,738.05		1,464,752,476.00	11,892,694,057.56		18,721,348,697.73

For the year ended 31 December 2018

Monetary Unit: CNY

Item	Year 2018											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Other	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												
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												

Carry-forward of retained earnings from other comprehensive income												
Others												
(5) Special reserves												
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

3. Company Profile

3.1 Company Overview

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

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

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

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

As the end of 27 February 2007, SASAC of Luzhou sold 42,069,983 shares of the Company, and after the sale, it still held 466,375,156 shares of the Company, with its shareholding ratio reduced to 53.52%. On 19 May 2008, the Company increased 522,839,803 shares of capital stock resulting from capital reserve and undistributed profits transferred to increase capital stock. After the implementation, the total share capital reached 1,394,239,476 shares, among which, SASAC of Luzhou held 746,200,250 shares of the Company, and the shareholding ratio was still 53.52%.

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

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

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

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

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

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

3.3 Business nature of the Company and main business activity

Industry of the Company is 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 27 April 2020.

3.6 Consolidated financial statement scope and their changes

(1) The 29 subsidiaries included in the consolidated financial statements for the current period are listed as follows:

Name of subsidiary	Abbreviation	Shareholding proportion(%)		Voting rights (%)
		Direct	Indirect	
Luzhou Laojiao Brewing Co., Ltd.	Brewing company	100.00		100.00
Luzhou Boda Brewing Co., Ltd. Note 1	Boda brewing		100.00	100.00
Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.	Red sorghum company		60.00	60.00
Sales Company of Luzhou Laojiao Co., Ltd.	Sales company	100.00		100.00
Luzhou Laojiao Nostalgic Liquor Marketing Co., Ltd.	Nostalgic company		100.00	100.00
Luzhou Laojiao Custom Liquor Co., Ltd. Note 2	Custom liquor company		15.00	60.00
Luzhou Laojiao Selected Supply Chain Management Co., Ltd.	Selected company		100.00	100.00
Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.	Guangxi Imported Liquor Industry		100.00	100.00
Luzhou Dingli Liquor Industry Co., Ltd.	Dingli company		100.00	100.00
Luzhou Dingyi Liquor Industry Sales Co., Ltd.	Dingyi company		100.00	100.00
Luzhou Dinghao Liquor Industry Sales Co., Ltd.	Dinghao company		100.00	100.00
Luzhou Laojiao Import and Export trade Co., Ltd.	Import and export company		100.00	100.00
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	Boda marketing		75.00	75.00

Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.	Bosheng Hengxiang		100.00	100.00
Luzhou Laojiao fruit wine industry Co., Ltd. Note 3	Fruit wine industry		41.00	60.00
Mingjiang Co., Ltd.	Mingjiang company		54.00	54.00
Luzhou Pinchuang Technology Co., Ltd. Note 4	Pinchuang company	100.00		100.00
Luzhou Laojiao Tourism Culture Co., Ltd.	Tourism culture	100.00		100.00
Luzhou Laojiao International Development (Hong Kong) Co., Ltd.	Hong Kong company	55.00		55.00
Luzhou Laojiao Commercial Development (North America) Co., Ltd.	Commercial Development		100.00	100.00
Luzhou Laojiao Electronic Commerce Co., Ltd.	Electronic Commerce	90.00		90.00
Luzhou Laojiao Whitail Innovative Electronic Commerce Co., Ltd.	Whitail Electronic Commerce		100.00	100.00
Luzhou Laojiao Selected Electronic Commerce Co., Ltd.	Selected Electronic Commerce		100.00	100.00
Luzhou Laojiao Whitail Liquor Industry Co., Ltd. Note 5	Whitail liquor industry		35.00	60.00
Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd. Note 5	Panda Whitail		60.00	60.00
Luzhou Whitail Tongdao Unde Constellation Wine Sales Co., Ltd. Note 5	Whitail Tongdao Unde		70.00	70.00
Luzhou Baonuo Biotechnology Co., Ltd.	Baonuo biotechnology	100.00		100.00
Luzhou Laojiao Health Liquor Industry Co., Ltd.	Health Liquor Industry	100.00		100.00
Luzhou Laojiao Health Sales Co., Ltd.	Health sales		100.00	100.00

Note 1: Due to changes in market of liquor industry, for further integration of internal resources, the Company has decided to cancel Boda brewing. Boda brewing has obtained the notice of approval of cancellation registration on 25 March 2019.

Note 2: 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 3: Although the Company holds less than 51% of the equity of Fruit wine industry, among the five members of the board of directors, the Company has sent three people, and the chairman of the board (legal representative) is the director sent by the Company. The Company has actual control over Fruit wine industry, so it is included in the scope of consolidation.

Note 4: On 28 December 2018, the 5th meeting of the ninth board of directors reviewed and approved the "Proposal on related party transaction regarding partial equity acquisition of Luzhou Pinchuang Technology Co., Ltd. By 30 June 2019, the part of the purchase has been completed and Pinchuang company became the Company's wholly-owned subsidiary.

Note 5: Although the Company holds less than 51% of the equity of Whitail liquor industry and its subsidiaries, among the five members of the board of directors, the Company has sent three people. The Company has actual control over Whitail liquor industry and its subsidiaries, so it is included in the scope of consolidation.

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

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

Name	Reason
Guangxi Luzhou Laojiao Imported Wine & Spirits Industry Co., Ltd.	Establishment
Luzhou Laojiao Whitail Innovative Electronic Commerce Co., Ltd.	Establishment
Luzhou Laojiao Selected Electronic Commerce Co., Ltd.	Establishment
Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd.	Establishment
Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd.	Establishment
Luzhou Laojiao Commercial Development (North America) Co., Ltd.	Establishment

(3) Liquidation and cancellation for subsidiaries in this period

Name	Reason
Luzhou Boda Brewing 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

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 31 December 2019, 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 an accounting entity, adopts unified accounting policies, and applies the requirements of ASBE related to recognition, measurement and presentation to reflect the Group's financial position, operating results and cash flows.

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

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

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

Acquisition of subsidiaries or business

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

period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows. At the same time, the relevant items of the comparative information shall be adjusted as the combined entity existed since the control point of the ultimate controlling party.

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

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

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

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

Disposal of subsidiaries and business

General treatments

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

In case of loss of control over the investee due to partial disposal of the equity investment or other reasons, the Company shall re-measure the remaining equity investment at its fair value at the date of loss of control. The amount of the consideration obtained from the disposal of the equity and the fair

value of the remaining equity, minus the net asset shares calculated continuously from the acquisition date based on the previous shareholding proportion and the goodwill, the difference shall be included in the investment income of the period when the control is lost.

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

Disposal of subsidiaries by step

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

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

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

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

Purchase of non-controlling interests

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

Partial disposals of equity investment in subsidiaries without loss of control

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

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

(1) Classification of joint venture arrangements

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

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

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

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

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

(1) Classification, recognition and measurement of financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

At the initial recognition, the Company may specify non-trading equity instrument investment as a financial asset measured at fair value with its changes included into other comprehensive income and should recognize the dividend income according to regulations; the specification is irrevocable once made. When the financial asset is derecognized, the cumulative gains or losses previously included into

other comprehensive income should be transferred into retained earnings.

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

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

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

2) Other financial liabilities

Financial liabilities other than those formed from the transfer of financial assets not meeting

derecognition conditions or continuous involvement into transferred financial assets and those outside financial guarantee contracts are classified as financial liabilities measured at amortized cost. Such financial liabilities should be subsequently measured at amortized cost and the gains or losses from derecognition or amortization should be included into current profits/losses.

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

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

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

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

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

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

(4) Derecognition of financial liabilities

When the current obligation of a financial liability (or a part of it) is relieved, the Company will derecognize the financial liability (or the part of it). When the Company (borrower) signs an agreement

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

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

(5) Offsetting of financial assets and financial liabilities

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

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

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

(7) Equity instruments

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

Dividends from the Company's equity instruments distributed during the validity (including the "interests"

from instruments classified as equity instruments) are treated as profit distribution.

(8) Impairment of financial instruments

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

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

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

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

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

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

5.11 Notes receivable

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

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

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

5.12 Accounts receivables

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

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

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

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

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

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

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

Aging	Expected loss provision rate %
Within 1 year	5
1-2 years	10
2-3 years	20
3-4 years	40
4-5 years	80

Over 5 years	100
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5.13 Accounts receivables financing

The accounts receivables financing of the Company refer to the notes receivables measured at fair value through other comprehensive income on the balance sheet date. For more details, see Note 3-10 Financial instruments.

5.14 Other receivables

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

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

- (1) When there is objective evidence showing that the other receivable has incurred credit impairment, the Company shall make bad debt provision for the other receivable and recognize the expected credit loss.
- (2) When the information about the expected credit loss of a single financial asset cannot be evaluated at a reasonable cost, the Company shall divide the other receivables portfolio according to credit risk characteristics and measure the expected credit loss based on portfolios.

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

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

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

Aging	Expected loss provision rate %
Within 1 year	5
1-2 years	10
2-3 years	20
3-4 years	40
4-5 years	80
Over 5 years	100

5.15 Inventory

(1) Classification of inventory

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

(2) Measurement method of dispatched inventories

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

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

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

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

(4) Inventory system

The Company adopts perpetual inventory system.

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

It is amortized in full at once.

5.16 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.

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.

5.17 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.

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.

5.18 Investment property

Measurement model of investment property

Cost model

Method of depreciation or amortization

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

Initial Recognition

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

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

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

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

Subsequent measurement

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

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

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

5.19. Fixed assets

(1) Recognition of fixed assets

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

(2) Depreciation of fixed assets

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

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

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

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

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

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

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

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

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

5. 20. Construction in progress

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

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

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

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

5. 21. 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. 22. 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. 23. 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. 24. 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. 25. Employee benefits

(1) Accounting treatment method of short-term benefits

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

(2) Accounting treatment method of post-employment benefits

a. Defined contribution plan

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

b. Defined benefit plan

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

The deficit or surplus resulting from the present value minus the fair value of the assets of a defined

benefit plan is recognized as a net liability or net asset of a defined benefit plan. If there is surplus in the defined benefit plan, the net assets of the defined benefit plan shall be measured at the lower of the surplus and the upper limit of assets of the defined benefit plan.

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

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

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

(3) Accounting treatment method of termination benefits

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

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

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

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

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. 26. 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. 27. 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. 28. Revenue

Whether the Company has implemented the new revenue standards

Yes 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. 29. 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. 30. 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. 31. Lease

(1) Accounting treatment of operating lease

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

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

(2) Accounting treatment of finance lease

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

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

5.32 Income tax expense

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

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

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

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

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

5.33 Changes in significant accounting policies and accounting estimates

5.33.1. Changes in significant accounting policies

Applicable N/A

Content and reason of changes	Approval procedures	Note
The Company started to implement <i>Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business</i>	Approved on the 7 th Meeting of the 9 th Board of Directors	

<p><i>Enterprises No.37-Presentation of Financial Instruments</i> (hereinafter referred to as "new standards governing financial instruments") revised and issued in March 2017 by the Ministry of Finance from 1 January 2019. Note 1</p>		
<p><i>Notes of Revising and Printing the Format of 2019 General Enterprises Financial Statement</i> (CK [2019] No. 6) was issued by the Ministry of Finance on 30 April 2019, and the <i>Notes of Revising and Printing the Format of 2018 General Enterprises Financial Statement</i> (CK [2018] No. 15) issued by the Ministry of Finance on 15 June 2018 was abolished at the same time; according to the Notes, the Company has revised the format of financial statements. Note 2</p>	<p>Approved on the 9th Meeting of the 9th Board of Directors</p>	

Note 1: The new standards governing financial instruments stipulated that on the implementation date of new standards, the enterprises shall classify and measure the financial instruments in line with the stipulations. As the data involved in comparative financial statements in the prior period are inconsistent with the requirements of the new standard, the Company does not need to adjust the information during the comparable period; the difference between the original book value of financial instruments and new book value on the implementation date shall be included into the retained earnings, other comprehensive income and other item of financial statements on 1 January 2019.

Note 2: The Company has revised and consolidated the format of financial statements, which the item "notes receivable and accounts receivable" was divided into "note receivable" and "accounts receivable", and the item "notes payable and accounts payable" was divided into "notes payable" and "accounts payable" as well; the Company has adjusted the comparative data during the comparable period according to the document (CK [2019] No. 6); the change merely influenced the presentation of financial statements, without impact on total assets, net assets and net profit.

There was no other change in significant accounting policies in the Reporting Period other than the above changes.

5.33.2. Changes in significant accounting estimates

Applicable N/A

5.33.3. Adjustments to the financial statements at the beginning of the execution year of any new standard governing financial instruments, revenue or leases from 2019

√Applicable N/A

Consolidated balance sheet

Monetary Unit: CNY

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Cash and cash equivalents	9,367,386,627.68	9,367,386,627.68	
Settlement reserves			
Lending funds			
Trading financial assets			
Financial assets measured at fair value through current profit or loss			
Derivative financial assets			
Notes receivables	2,388,326,476.15		-2,388,326,476.15
Accounts receivables	10,333,728.87	10,333,728.87	
Accounts receivables financing		2,388,326,476.15	2,388,326,476.15
Prepayment	137,243,573.66	137,243,573.66	
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve			
Other receivables	166,525,010.16	166,525,010.16	
Including: Interests receivable	29,970,944.44	29,970,944.44	
Dividends receivable			
Buying back the sale of financial assets			
Inventories	3,230,415,749.95	3,230,415,749.95	
Contractual assets			
Assets held for sale			
Non-current assets due			

within one year			
Other current assets	194,237,237.02	194,237,237.02	
Total current assets	15,494,468,403.49	15,494,468,403.49	
Non-current assets:			
Disbursement of loans and advances			
Investment in debt obligations			
Available-for-sale financial assets	275,819,448.46		-275,819,448.46
Investment in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2,091,103,348.61	2,092,554,736.09	1,451,387.48
Other equity instrument investment		327,036,804.62	327,036,804.62
Other non-current financial assets			
Investment property			
Fixed assets	1,029,666,915.47	1,029,666,915.47	
Construction in progress	3,000,489,249.86	3,000,489,249.86	
Productive biological assets			
Oil and gas assets			
Right-to-use assets			
Intangible assets	231,967,372.88	231,967,372.88	
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	436,434,961.24	436,434,961.24	
Other non-current assets	44,979,896.41	44,979,896.41	
Total non-current assets	7,110,461,192.93	7,163,129,936.57	52,668,743.64
Total assets	22,604,929,596.42	22,657,598,340.06	52,668,743.64

Current liabilities:			
Short-term loans			
Borrowings from the central bank			
Loans from other banks			
Trading financial liabilities			
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	1,292,050,954.06	1,292,050,954.06	
Advance from customer	1,604,425,189.96	1,604,425,189.96	
Contractual liabilities			
Financial assets sold for repurchase			
Customers deposits and deposits from banks and other financial institutions			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee benefits payable	268,092,193.50	268,092,193.50	
Taxes payable	1,648,028,076.07	1,648,028,076.07	
Other payable	602,887,024.88	602,887,024.88	
Including: Interests payable			
Dividends payable			
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			

Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	5,415,483,438.47	5,415,483,438.47	
Non-current liabilities:			
Insurance contract reserves			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payables			
Accrued liabilities			
Deferred income	20,981,155.00	20,981,155.00	
Deferred tax liabilities	44,252,383.96	57,056,723.00	12,804,339.04
Other non-current liabilities			
Total non-current liabilities	65,233,538.96	78,037,878.00	12,804,339.04
Total liabilities	5,480,716,977.43	5,493,521,316.47	12,804,339.04
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	3,716,675,022.48	
Less: Treasury stock			
Other comprehensive income	136,592,276.64	170,231,845.40	33,639,568.76
Special reserves			
Surplus reserves	1,464,752,476.00	1,464,752,476.00	
General risk reserve			
Undistributed profits	10,181,899,224.84	10,188,124,060.68	6,224,835.84

Total equity attributable to owners of the parent company	16,964,671,475.96	17,004,535,880.56	39,864,404.60
Non-controlling interests	159,541,143.03	159,541,143.03	
Total owners' equity	17,124,212,618.99	17,164,077,023.59	39,864,404.60
Total liabilities and owners' equity	22,604,929,596.42	22,657,598,340.06	52,668,743.64

Statement for adjustment

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No.24-Hedge Accounting* and *Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments* on 31 March 2017, and required the domestic listed companies to implement from 1 January 2019.

On 25 April 2019, the 7th Meeting of the 9th Board of Directors reviewed and approved the *Proposal on Implementation of Newly-revised Accounting Standards in 2019*, which decided to implement the above new standards governing financial instruments from 1 January 2019. As for cumulative effects arising from the first execution of new standards, the Company adjusted the retained earnings and the amount of other relevant items in financial statements at the beginning of 2019, while the comparative financial statements of 2018 were not rearranged.

Balance sheet of parent company

Monetary Unit: CNY

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Cash and cash equivalents	6,189,473,157.83	6,189,473,157.83	
Trading financial assets			
Financial assets measured at fair value through current profit or loss			
Derivative financial assets			
Notes receivables			
Accounts receivables	67,698.43	67,698.43	
Accounts receivables financing			
Prepayment	7,212,512.57	7,212,512.57	
Other receivables	4,657,727,046.02	4,657,727,046.02	
Including: Interests receivable	29,970,944.44	29,970,944.44	

Dividends receivable			
Inventories	383,404.53	383,404.53	
Contractual assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	1,761,708.33	1,761,708.33	
Total current assets	10,856,625,527.71	10,856,625,527.71	
Non-current assets:			
Investment in debt obligations			
Available-for-sale financial assets	275,490,526.83		-275,490,526.83
Investment in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	5,494,914,376.71	5,496,365,764.19	1,451,387.48
Other equity instrument investment		326,707,882.99	326,707,882.99
Other non-current financial assets			
Investment property			
Fixed assets	701,870,689.02	701,870,689.02	
Construction in progress	511,528,278.96	511,528,278.96	
Productive biological assets			
Oil and gas assets			
Right-to-use assets			
Intangible assets	224,039,846.61	224,039,846.61	
Development expenses			
Goodwill			
Long-term deferred expenses			

Deferred tax assets	71,119,598.96	71,119,598.96	
Other non-current assets			
Total non-current assets	7,278,963,317.09	7,331,632,060.73	52,668,743.64
Total assets	18,135,588,844.80	18,188,257,588.44	52,668,743.64
Current liabilities:			
Short-term loans			
Trading financial liabilities			
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payables			
Accounts payable	38,984,611.48	38,984,611.48	
Advance from customer	12,229,153.62	12,229,153.62	
Contractual liabilities			
Employee benefits payable	67,383,911.98	67,383,911.98	
Taxes payable	115,424,262.03	115,424,262.03	
Other payables	1,788,068,491.88	1,788,068,491.88	
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	2,022,090,430.99	
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preference shares			
Perpetual			

bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payables			
Accrued liabilities			
Deferred income	12,593,640.12	12,593,640.12	
Deferred tax liabilities	44,252,383.96	57,056,723.00	12,804,339.04
Other non-current liabilities			
Total non-current liabilities	56,846,024.08	69,650,363.12	12,804,339.04
Total liabilities	2,078,936,455.07	2,091,740,794.11	12,804,339.04
Shareholders' equity			
Share capital	1,464,752,476.00	1,464,752,476.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	3,706,816,950.12	3,706,816,950.12	
Less: Treasury stock			
Other comprehensive income	134,386,305.26	168,375,068.80	33,988,763.54
Special reserves			
Surplus reserves	1,464,752,476.00	1,464,752,476.00	
Undistributed profits	9,285,944,182.35	9,291,819,823.41	5,875,641.06
Total owners' equity	16,056,652,389.73	16,096,516,794.33	39,864,404.60
Total liabilities and owners' equity	18,135,588,844.80	18,188,257,588.44	52,668,743.64

Statement for adjustment

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No.24-Hedge Accounting* and *Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments* on 31 March 2017, and required the domestic listed companies to implement from 1 January 2019.

On 25 April 2019, the 7th Meeting of the 9th Board of Directors reviewed and approved the *Proposal on Implementation of Newly-revised Accounting Standards in 2019*, which decided to implement the above new standards governing financial instruments from 1 January 2019. As for cumulative effects arising

from the first execution of new standards, the Company adjusted the retained earnings and the amount of other relevant items in financial statements at the beginning of 2019, while the comparative financial statements of 2018 were not rearranged.

5.33.4. Retrospective restatement of previous comparative data due to the execution of any new standard governing financial instruments or lease from 2019

√ Applicable N/A

According to relevant stipulations in new standard governing financial instruments, for cumulative effects arising from the first execution of new standard, the Company adjusted the amount of relevant items in financial statements at the beginning of 2019, and didn't adjust the comparative financial statements of 2018.

The impact on relevant items in consolidated balance sheet at the period-begin by implementing new standard governing financial instruments is as follows:

Item	Balance on 31 December 2018	Adjusted	Balance on 1 January 2019
Notes receivable	2,388,326,476.15	-2,388,326,476.15	
Accounts receivable financing		2,388,326,476.15	2,388,326,476.15
Long-term equity investments	2,091,103,348.61	1,451,387.48	2,092,554,736.09
Available-for-sale financial assets	275,819,448.46	-275,819,448.46	
Other equity instrument investment		327,036,804.62	327,036,804.62
Deferred tax liabilities	44,252,383.96	12,804,339.04	57,056,723.00
Other comprehensive income	136,592,276.64	33,639,568.76	170,231,845.40
Undistributed profit	10,181,899,224.84	6,224,835.84	10,188,124,060.68

The impact on relevant items in balance sheet of parent company at the period-begin by implementing new standards governing financial instruments is as follows:

Item	Balance on 31 December 2018	Adjusted	Balance on 1 January 2019
Long-term equity investments	5,494,914,376.71	1,451,387.48	5,496,365,764.19
Available-for-sale financial assets	275,490,526.83	-275,490,526.83	
Other equity instrument investment		326,707,882.99	326,707,882.99
Deferred tax liabilities	44,252,383.96	12,804,339.04	57,056,723.00
Other comprehensive income	134,386,305.26	33,988,763.54	168,375,068.80

Undistributed profit	9,285,944,182.35	5,875,641.06	9,291,819,823.41
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6. Taxes

6.1. Major tax types and rates

Tax type	Tax base	Tax rate
Value-added tax	Taxable sales income	16%, 13%, 11%, 10%, 9%, 6%
Urban maintenance and construction tax	Taxable turnover tax	7%
Corporate income tax	Taxable income	25%, 15%, 16.5%, 9%, 0%
Consumption tax (based on price)	Liquor tax price or ex-factory price	20%
Consumption tax (based on quantity)	Quantity of 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 Laojiao Commercial Development (North America) Co., Ltd.	21%-40%
Luzhou Red Sorghum Modern Agricultural Development Co., Ltd.	Exempted from corporate income tax
Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.	9%

6.2. Tax preferences

(1) According to *Announcement of the State Administration of Taxation on Corporate Income Tax Questions Concerning the Further Implementation of the Western Development Strategy* (State Administration of Taxation Announcement No.12 of 2012), 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) According to Article 27 of the *Corporate Income Tax Law of the People's Republic of China* and Article 86, Item 1 of the *Implementation Regulations of the Corporate Income Tax Law*, companies are exempted from enterprise income tax when they engage in agricultural, forestry, animal husbandry and fishery industries. The holding subsidiary of the Company, Luzhou Red Sorghum Modern Agricultural Development Co., Ltd., is engaged in the cultivation and sale of organic sorghum and enjoys the reduction of corporate income tax preferences.

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

(4) According to the Article 3, Item 7 of the *Notice on Revise of Interim Measures of Accelerating the Development in Headquarters Economy of China-Malaysia Qinzhou Industrial Park*, till 31 December 2020, the enterprises in the Qinzhou Industrial Park that enjoy 15% of tax rate of Western Development with the half reduction in the tax period of preferential policies shall enjoy the local share of corporate income tax exemption (namely 40% of corporate income tax was exempted, and the proportion adjusted by the state shall be executed according to new proportion); Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd., the wholly-owned subsidiary of the Company, pays corporate income tax at the rate of 9% according to the tax preference policies.

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

7.1. Cash and cash equivalents

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Cash	28,776.67	4,420.76
Bank deposit	9,744,243,225.66	9,364,716,075.36
Other cash and cash equivalents	9,394,524.45	2,666,131.56
Total	9,753,666,526.78	9,367,386,627.68
Including: Total deposit outbound	61,031,136.88	57,439,384.10
Total amount with restriction to use due to mortgage, pledge or freeze	1,400,000.00	1,400,000.00

Other statements:

Note 1: The total amount of funds deposited outbound is CNY 61,031,136.88, including: Luzhou Laojiao International Development (Hong Kong) Co., Ltd., the holding subsidiary of the Company, with a total amount of CNY 58,205,456.37, and CNY 2,825,680.51 of Mingjiang Co., Ltd., the holding subsidiary of the Company.

Note 2: The closing balance of other cash and cash equivalents is the travel service deposit of CNY 1,400,000.00 deposited by the Company's wholly-owned subsidiary, Luzhou Laojiao Tourism Culture Co., Ltd., in the designated bank according to the regulations of the tourism bureau, and balance of CNY 7,994,524.45 deposited by the Company's holding subsidiary, Luzhou Laojiao Electronic Commerce Co., Ltd. on the third-party e-commerce platform.

7.2. Accounts receivable

7.2.1. Classification of accounts receivable

Monetary Unit: CNY

Type	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Including:										
Accounts receivable tested for impairment by the portfolio	19,266,797.97	100.00%	972,883.74	5.05%	18,293,914.23	10,922,591.46	100.00%	588,862.59	5.39%	10,333,728.87
Including:										
Accounts receivable tested for impairment on the portfolio with characteristics of credit risk	19,266,797.97	100.00%	972,883.74	5.05%	18,293,914.23	10,922,591.46	100.00%	588,862.59	5.39%	10,333,728.87
Total	19,266,797.97 ¹	100.00%	972,883.74	5.05%	18,293,914.23	10,922,591.46	100.00%	588,862.59	5.39%	10,333,728.87

Note: 1. The closing book balance at the period-end increased CNY 8,344,206.51 compared with the period-begin, with an increase by 76.39%, primarily driven by the influence of the credit policy to overseas business in the Hong Kong company.

Accounts receivable tested for impairment on the portfolio: characteristics of credit risk

Monetary Unit: CNY

Name	Closing Balance		
	Book balance	Provision for bad debt	Proportion
Risk portfolio	19,266,797.97	972,883.74	5.05%
Total	19,266,797.97	972,883.74	--

Statements for determining the portfolio:

The Company will combine the accounts receivable divided into credit risk portfolio according to similar characteristics of credit risk (aging), and calculate expected credit loss with the reference of historical credit loss experience and combination of present condition and prediction of future financial situation, as well as through default risk exposure and expected credit loss rate in the duration.

Statements for determining the portfolio:

Please refer to the relevant information of disclosure of provision for bad debt of other accounts receivable if adopting the general mode of expected credit loss to withdraw provision for bad debt of accounts receivable

Applicable N/A

Disclosure by aging

Monetary Unit: CNY

Aging	Book balance
Within 1 year (including 1 year)	19,195,772.10
1-2 years	11,100.41
2-3 years	59,925.46
Total	19,266,797.97

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

Allowance of provision for bad debt:

Monetary Unit: CNY

Type	Opening Balance	Current Period				Closing Balance
		Allowance	Reversal or recovery	Write-off	Other	
Provision allowance by risk portfolio	588,862.59	384,021.15				972,883.74
Total	588,862.59	384,021.15				972,883.74

There is no significant provision in accounts receivable reversed or recovered in the reporting period.

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

Monetary Unit: CNY

Company name	Closing Balance	Proportion to total closing balance of accounts receivable	Closing balance of provision for bad debt
China Duty Free Group Co., Ltd.	9,518,039.01	49.40%	475,901.95
Zhejiang Tmall Technology Co., Ltd.	6,175,675.26	32.05%	308,783.76
China Duty Free International Co., Ltd.	1,155,684.03	6.00%	57,784.20
Beijing Jiuxian Network Technology Co., Ltd.	812,753.36	4.22%	40,637.67
Hangzhou Youzan Technology Co., Ltd.	253,617.22	1.32%	12,680.86
Total	17,915,768.88	92.99%	

7.3. Accounts receivable financing

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Bank acceptance bill	2,393,797,259.80	2,388,326,476.15
Total	2,393,797,259.80¹	2,388,326,476.15

Note: 1. The business mode to manage notes receivable aims to collect contract cash flow as well as to sell the financial assets, and thus the notes receivable is presented as accounts receivable financing; due to the short term of notes receivable less than 1 year, and the sales time, sales price and sale proportion cannot be estimated reliably, the face value is regarded as the fair value of accounts receivable financing by the Company.

Changes in accounts receivable financing in the reporting period and fair value:

Applicable N/A

Please refer to the relevant information of disclosure of impairment provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw impairment provision of accounts receivable financing.

Applicable N/A

Other statements:

(1) There is no account receivable financing pledged.

(2) There is CNY 4,270,000,000 as follows of accounts receivable financing that have been endorsed to other parties by the Company but have not expired at the end of year:

Item	Derecognition at period-end	Not derecognition at period-end
Bank acceptance bill	4,270,000,000.00	

Subtotal	4,270,000,000.00
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Note: The acceptor of the bank acceptance bill is a commercial bank. The probability of not being paid due is very low, and the possibility of being recourse is very low, so the confirmation has been terminated.

(3) There are no accounts receivable financing transferred to accounts receivable due to the non-performance of the agreements by the issuers.

(4) There are no accounts receivable financing actually written off during the reporting period.

7.4. Prepayment

7.4.1. Aging analysis

Monetary Unit: CNY

Aging	Closing Balance		Opening Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	150,806,477.44	99.33%	130,442,246.83	95.04%
1-2 years	861,490.00	0.57%	6,801,326.83	4.96%
2-3 years	150,481.04	0.10%		
Total	151,818,448.48	--	137,243,573.66	--

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.

7.4.2. Top five entities with the largest balances of prepayment

Company Name	Closing Balance	Proportion to the total closing balance of prepayment
New Shottes Brook Private Company	32,149,113.33	21.18%
Shanghai Merlot Advertising Co., Ltd.	27,769,124.00	18.29%
Australian Tennis Co., Ltd.	9,208,237.50	6.07%
Shanghai Endeavor Culture Development Co., Ltd.	8,005,949.99	5.27%
Luzhou Westem Gas Co., Ltd.	8,000,000.00	5.27%
Subtotal	85,132,424.82	56.08%

7.5 Other receivables

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Interest receivable	45,636,744.44	29,970,944.44
Other receivables	114,116,677.20	136,554,065.72
Total	159,753,421.64	166,525,010.16

7.5.1. Interest receivable

7.5.1.1. Classification of interest receivable

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Fixed deposits	45,636,744.44 ¹	29,970,944.44
Total	45,636,744.44	29,970,944.44

Note: 1. The closing balance increased CNY 15,665,800.00 compared with opening balance, with an increase by 52.27%, mainly due to the increase of interest income on fixed deposit resulting from stock funds in the reporting period.

7.5.2. Other receivables

7.5.2.1. Other receivables disclosed by nature

Monetary Unit: CNY

Nature	Closing book balance	Opening book balance
Intercourse funds	27,025,658.11	26,300,395.29
Petty cash	2,184,482.07	2,963,363.02
Saving deposits involving contract disputes	287,400,297.52	307,456,275.25
Other	1,902,662.52	6,805,467.11
Total	318,513,100.22	343,525,500.67

7.5.2.2. Allowance of provision for bad debt

Monetary Unit: CNY

Provision for bad debt	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	6,971,434.95		200,000,000.00	206,971,434.95

Balance of 1 January 2019 in the current period	—	—	—	—
Allowance of the current period	234,313.59			234,313.59
Verification of the current period	2,809,325.52			2,809,325.52
Balance of 31 December 2019	4,396,423.02		200,000,000.00	204,396,423.02

Changes of book balance with significant amount changed of loss provision in the current period

Applicable N/A

Disclosure by aging

Monetary Unit: CNY

Aging	Book balance
Within 1 year (including 1 year)	24,393,757.76
1-2 years	2,325,254.36
2-3 years	414,000.00
Over 3 years	291,380,088.10
3-4 years	1,807,606.93
4-5 years	166,583.65
Over 5 years	289,405,897.52
Total	318,513,100.22

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

Allowance of provision for bad debt:

Monetary Unit: CNY

Type	Opening Balance	Current Period				Closing Balance
		Allowance	Reversal or recovery	Write-off	Other	
Other receivables tested for impairment individually Note1	200,000,000.00					200,000,000.00
Other	6,971,434.9	234,313.59		2,809,325.5		4,396,423.02

receivables tested for impairment by the portfolio	5			2	
Total	206,971,434.95	234,313.59		2,809,325.52	204,396,423.02

Note 1: In the 2014 Annual Report, the Company disclosed the information about three deposits amounting to CNY 500,000,000.00 with Changsha Yingxin Sub-branch of Agricultural Bank of China and Nanyang Zhongzhou Sub-branch of Industrial and Commercial Bank of China. The deposits have lost the nature of monetary fund due to their involvement in contract disputes and have thus been transferred into “other receivables”. As of 31 December 2019, of the deposits involved in contract disputes, the amount that was not recovered was CNY 287,400,297.52. Related attorneys of W&H Law Firm Chengdu produced the *Legal Opinions on the Allowance of Provision for Bad Debt of Luzhou Laojiao Co., Ltd. for Abnormal Deposits in Three Places Including Changsha and Nanyang* on 17 March 2020. According to the opinions, “Whereas during the period from 25 March 2016 till this production of legal opinions on the allowance proportion of provision for bad debt, there is no matter that occurred and affected or changed the provision for bad debt, and thus the judgment on the allowance of provision for bad debt at CNY 200 million shall remain”. Refer to Note 12.2. for details.

Of which provision for bad debt with significant amount reversed or recovered:

There is no provision for bad debt with significant amount in other receivables reversed or recovered.

7.5.2.4. Other receivables actually written off during the reporting period

Monetary Unit: CNY

Item	Written off amount
Other receivables actually written off	2,809,325.52

Of which significant other receivables written off:

Monetary Unit: CNY

Company Name	Nature	Amount	Reason	Write-off procedures	Whether generated from related transaction
China Real Estate Development Corporation Luzhou Branch	Intercourse funds	1,500,000.00	Irrecoverable	Managed according to lawyer's investigation report and approved by manager's office of the Company	No
Luzhou Tuojiang Market	Intercourse funds	1,233,098.00	Irrecoverable	Managed according to lawyer's investigation report	No

				and approved by manager's office of the Company	
Total	--	2,733,098.00	--	--	--

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

Monetary Unit: CNY

Company Name	Nature	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank	Saving deposits involving contract disputes	287,400,297.52	Over 5 years	90.23%	200,000,000.00
Housing and Urban-Rural Development Bureau of Longmatan District, Luzhou	Security deposit	3,052,930.23	Within 1 year	0.96%	152,646.51
Treasury payment center of Jiangyang District, Luzhou	Security deposit	1,828,350.00	Within 1 year	0.57%	91,417.50
Luzhou Electric Power Bureau of Longmatan District, Luzhou	Security deposit	1,520,000.00	3-4 years	0.48%	608,000.00
Administration Bureau of Construction Engineering of Luzhou	Security deposit	1,043,000.00	Over 5 years	0.33%	1,043,000.00
Total	--	294,844,577.75	--	92.57%	201,895,064.01

7.6 Inventories

Whether the Company has implemented the new revenue standards

Yes No

7.6.1. Categories of Inventories

Monetary Unit: CNY

Category	Closing Balance			Opening Balance		
	Book Balance	Provision for stock obsolescence	Book Value	Book Balance	Provision for stock obsolescence	Book Value
Raw materials	59,935,022.20		59,935,022.20	68,423,897.18		68,423,897.18
Goods in progress	201,122,739.38		201,122,739.38	138,889,316.08		138,889,316.08
Finished goods	1,136,393,394.73		1,136,393,394.73	1,181,824,032.21		1,181,824,032.21
Revolving materials	18,778,952.72		18,778,952.72	8,812,993.84		8,812,993.84
Goods in transit	110,174,419.64		110,174,419.64	90,817,775.95		90,817,775.95
Self-made semi-finished goods	2,114,830,563.66		2,114,830,563.66	1,741,647,734.69		1,741,647,734.69
Total	3,641,235,092.33		3,641,235,092.33	3,230,415,749.95		3,230,415,749.95

7.6.2. 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.

7.6.3. 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.

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

Other statements:

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

7.7. Other current assets

Whether the Company has implemented the new revenue standards

Yes No

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Value-added tax	112,912,411.46	121,918,815.13
Corporate income tax	78,049,453.69	70,659,379.26
Other taxes	4,212,183.42	1,659,042.63
Total	195,174,048.57	194,237,237.02

Other statements:

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

7.8. Long-term equity investments

Monetary Unit: CNY

Investee	Opening Balance (book value)	Changes in current period								Closing Balance (book value)	Closing Balance of provision for impairment
		Increase	Decrease	Gain or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividend or profit declared	Provision for impairment	Other		
1. Joint Ventures											
2. Associate											
Huaxi Securities Co., Ltd.	2,076,748,196.31			148,787,121.31	4,938,830.87		20,735,166.94			2,209,738,981.55	2,567,098.80
Sichuan Development Wine Investment Co., Ltd.	15,806,539.78			-2,823,795.61						12,982,744.17	
Sichuan Tongnian Liquor		8,000,000.00								8,000,000.00	

Industry Technology Research Institute Co., Ltd. Note											
Subtotal	2,092,554,736.09	8,000,000.00		145,963,325.70	4,938,830.87		20,735,166.94			2,230,721,725.72	2,567,098.80
Total	2,092,554,736.09	8,000,000.00		145,963,325.70	4,938,830.87		20,735,166.94			2,230,721,725.72	2,567,098.80

Other statements

On 10 September 2019, the *Proposal on the Subsidiary Participating in the Investment to Establish Sichuan Tongniang Liquor Industry Technology Research Institute Co., Ltd.* was reviewed and approved at the 10th Meeting of the 9th Board of Directors of the Company. It was agreed that seven corporate entities, including the Company's subsidiary Luzhou Pinchuang Technology Co., Ltd. and Sichuan Jingwei Education Management Group Co., Ltd. would jointly invest to establish Sichuan Tongniang Liquor Industry Technology Research Institute Co., Ltd.. The registered capital of the company would be CNY 50 million, with Pinchuang contributing CNY 20 million in the monetary form, accounting for 40% of the equity. According to the resolution at the annual general meeting, all shareholders gave the consent that the board of directors of the company would comprise five members, including two from Pinchuang, one from Sichuan Jingwei Education Management Group Co., Ltd., one from Luzhou Liquor Industrial Park Development and Investment Co., Ltd. and one from Sichuan Huayu Ruide Technology Co., Ltd.. The voting proportion of Pinchuang would be 40%, constituting significant influence, and thus the accounting would be done in the equity method.

7.9. Other equity instrument investment

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Financial assets assigned measured by fair value and the changes be included in the current gains and losses:		
Including:		
Guotai Junan Investment Management Co., Ltd.	22,611,834.24	22,611,834.24
Guojiu Big Data Co., Ltd.	10,000,000.00	10,000,000.00
Sichuan Nitrocell Co., Ltd.	11,757,933.60	10,335,098.55
Luzhou Bank Co., Ltd.	89,076,363.20	102,337,356.16

Guotai Junan Securities Co., Ltd.	217,756,674.52	180,423,594.04
Sichuan China Liquor Golden Triangle Brand Operation Development Co., Ltd. and other equity instrument investments	1,192,450.22	1,328,921.63
Total	352,395,255.78	327,036,804.62

Categories of non-trading equity instrument investment in the current period:

Monetary Unit: CNY

Item	Recognized dividends income	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for assigning to measure at fair value and changes recorded into other comprehensive income	Reason of other comprehensive income transferred to retained earnings
Shenzhen Xingangfeng Development Co., Ltd.			2,354,000.00		According to the mode of managing assets by management layer	
Sichuan Deyang Jintai Hotel			2,000,000.00		According to the mode of managing assets by management layer	
Hainan Huitong International Trust Company			1,000,000.00		According to the mode of managing assets by management layer	
Guotai Junan Investment Management Co., Ltd.					According to the mode of managing assets by management	

					layer	
Guojiu Big Data Co., Ltd.					According to the mode of managing assets by management layer	
Sichuan China Liquor Golden Triangle Brand Operation Development Co., Ltd.			136,471.41		According to the mode of managing assets by management layer	
Sichuan Nitrocell Co., Ltd.	85,995.53	10,727,933.60			According to the mode of managing assets by management layer	
Luzhou Bank Co., Ltd.	5,424,000.00	37,956,363.20			According to the mode of managing assets by management layer	
Guotai Junan Securities Co., Ltd.	3,238,674.18	205,037,517.76			According to the mode of managing assets by management layer	
Sichuan Zhonghe Tongchuang Maca Investment Co., Ltd.			200,000.00		According to the mode of managing assets by management layer	
Luzhou Enterprise Union Trading Co., Ltd.			198,926.37		According to the mode of managing assets by management	

					layer	
Luzhou Zunchi Auto Service Co., Ltd.					According to the mode of managing assets by management layer	

7.10. Fixed assets

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Fixed assets	1,516,871,720.00	1,028,995,516.07
Disposal of fixed assets	1,993,677.91	671,399.40
Total	1,518,865,397.91	1,029,666,915.47

7.10.1. Details of fixed assets

Monetary Unit: CNY

Item	Buildings and constructions	Specialized equipment	General equipment	Transportation equipment	Other equipment	Total
I. Original cost:						
1. Opening balance	1,172,053,577.25	512,078,313.99	262,080,975.99	36,934,689.93	559,470,748.39	2,542,618,305.55
2. Increase in current period	150,625,771.28	207,122,983.03	117,051,574.77	5,447,941.48	173,004,258.08	653,252,528.64
(1) External purchase		47,301,562.45	9,833,330.49	4,398,053.09	4,414,693.22	65,947,639.25
(2) Transfer from construction in progress	150,625,771.28	159,821,420.58	107,218,244.28	1,049,888.39	168,589,564.86	587,304,889.39
(3) Increase from business combination						
3. Decrease in current period	53,997,503.14	1,477,675.73	11,867,065.83	4,539,608.27	10,052,844.94	81,934,697.91
(1) Disposal or	53,997,503.14	1,477,675.73	11,867,065.83	4,539,608.27	10,052,844.94	81,934,697.91

retirement						
4.Closing Balance	1,268,681,845.39	717,723,621.29	367,265,484.93	37,843,023.14	722,422,161.53	3,113,936,136.28
II. Accumulated depreciation						
1.Opening 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
2.Increase in current period	39,631,814.79	36,010,822.34	37,051,486.86	1,541,304.20	41,851,514.60	156,086,942.79
(1) Provision	39,631,814.79	36,010,822.34	37,051,486.86	1,541,304.20	41,851,514.60	156,086,942.79
3.Decrease in current period	48,132,409.93	1,189,274.49	10,861,516.91	3,796,437.02	8,665,677.64	72,645,315.99
(1) Disposal or retirement	48,132,409.93	1,189,274.49	10,861,516.91	3,796,437.02	8,665,677.64	72,645,315.99
4.Closing Balance	595,935,621.65	500,627,398.98	198,415,362.10	28,328,811.20	273,134,282.28	1,596,441,476.21
III. Provision for impairment						
1.Opening Balance	622,940.07					622,940.07
2.Increase in current period						
(1) Provision						
3.Decrease in current period						
(1) Disposal or retirement						
4.Closing Balance	622,940.07					622,940.07
IV. Book Value						
1.Closing Book Value	672,123,283.67	217,096,222.31	168,850,122.83	9,514,211.94	449,287,879.25	1,516,871,720.00

2. Opening 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
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7.10.2. Fixed assets without certification of right

Monetary Unit: CNY

Item	Book value	Reason for not having the certification of right
Buildings	28,149,660.22	The property ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures.

7.10.3. Disposal of fixed assets

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Disposal and retirement of assets	1,993,677.91	671,399.40
Total	1,993,677.91	671,399.40

7.11. Construction in progress

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Construction in progress	7,257,393,087.56	3,000,489,249.86
Total	7,257,393,087.56	3,000,489,249.86

7.11.1. Details of the construction in progress

Monetary Unit: CNY

Item	Closing Balance			Opening Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Technical renovation project of brewing	6,072,403,009.71		6,072,403,009.71	2,362,483,702.39		2,362,483,702.39
Technical renovation of	8,079,135.92		8,079,135.92	2,639,877.96		2,639,877.96

Luzhou Laojiao Intelligent packaging center						
Construction project of Luzhou Laojiao Liquor Culture Museum and supporting facility	401,316,175.65		401,316,175.65	396,458,270.43		396,458,270.43
Improvement and technical renovation project of Luzhou Laojiao production supporting	11,346,483.95		11,346,483.95			
Marketing network command center office area reconstruction and expansion project	220,539,935.89		220,539,935.89	41,727,132.77		41,727,132.77
New model application project of intelligent production workshop of solid state liquor	189,417,456.65		189,417,456.65	41,628,781.02		41,628,781.02
Guojiao Culture Park Qiankun Wine Castle Cultural Tourism project	229,262,370.65		229,262,370.65	2,800,622.50		2,800,622.50
Technical upgrading project of sewage station	2,006.06		2,006.06	7,019,543.87		7,019,543.87

Luohan brewing production automation equipment renovation project	669,025.61		669,025.61	18,143,603.80		18,143,603.80
Transformation of production line of Luzhou Laojiao packaging workshop (Huangyi North District)	17,329,425.02		17,329,425.02	60,095.77		60,095.77
Other projects	107,028,062.45		107,028,062.45	127,527,619.35		127,527,619.35
Total	7,257,393,087.56¹		7,257,393,087.56	3,000,489,249.86		3,000,489,249.86

Note: 1. The closing balance increased CNY 4,256,903,837.70 compared with the opening balance, with an increase by 141.87%, because of the increase in investment of the technical renovation project of brewing.

7.11.2. Significant changes in construction in progress

Monetary Unit: CNY

Item	Budget	Opening Balance	Increase in current period	Transfer into fixed assets	Other decreases	Closing Balance	Proportion of accumulative project input in budget	Progress (%)	Accumulative capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period (%)	Source of funds
Technical renovation project of brewing	7,414,280,000.00	2,362,483,702.39	4,000,207,095.68	290,287,788.36		6,072,403,009.71	85.82%	85.00%	11,815,117.50	11,815,117.50	3.67%	Capital raised and other
Technical renovation of	1,577,913,400.00	2,639,877.96	5,439,257.96			8,079,135.92	0.51%	1.00%				Other

Luzhou Laojiao Intelligent packaging center												
Construction project of Luzhou Laojiao Liquor Culture Museum and supporting facility	1,500,000,000.00	396,458,270.43	4,857,905.22			401,316,175.65	26.75%	26.00%				Other
Improvement and technical renovation project of Luzhou Laojiao production supporting	888,544,100.00		11,346,483.95			11,346,483.95	1.28%	1.00%				Other
Marketing network command center office area	271,500,000.00	41,727,132.77	178,812,803.12			220,539,935.89	81.23%	85.00%				Other

reconstruction and expansion project												
New model application project of intelligent production workshop of solid state liquor	245,100,000.00	41,628,781.02	147,788,675.63			189,417,456.65	77.28%	80.00%				Other
Guojiao Culture Park Qiankun Wine Castle Cultural Tourism project	337,885,813.44	2,800,622.50	226,461,748.15			229,262,370.65	67.85%	70.00%				Other
Technical upgrading project of sewage station	77,050,000.00	7,019,543.87	43,209,449.99	50,226,987.80		2,006.06	65.19%	99.00%				Other
Luohan brewing production automat	59,870,000.00	18,143,603.80	16,216,244.31	33,690,822.50		669,025.61	83.96%	99.00%				Other

ion equipm ent renovati on project												
Transfor mation of producti on line of Luzhou Laojiao packagi ng worksho p (Huang yi North District)	57,774, 100.00	60,095. 77	39,396, 441.57	11,781, 660.36	10,345, 451.96	17,329, 425.02	68.29%	70.00%				Other
Total	12,429, 917,413 .44	2,872,9 61,630. 51	4,673,7 36,105. 58	385,987 ,259.02	10,345, 451.96	7,150,3 65,025. 11	--	--	11,815,1 17.50	11,815,1 17.50		--

7.12. Intangible assets

7.12.1. Details of intangible assets

Monetary Unit: CNY

Item	Land use right	Patent right	No-patent right technology	Computer software	Trademark right	Total
I. Original cost						
1. Opening Balance	303,836,329.47	567,975.00		32,577,520.89	1,864,746.08	338,846,571.44
2. Increase in current period	105,912,993.40	1,132,075.44		8,078,043.80	50,000.00	115,173,112.64
(1) Acquired	84,360,783.58	1,132,075.44		8,078,043.80	50,000.00	93,620,902.82
(2) Internal developed						
(3) Business						

combination						
(4) Transferred from construction in progress	21,552,209.82					21,552,209.82
3. Decrease in current period	6,207,684.98				24,000.00	6,231,684.98
(1) Disposal	6,207,684.98				24,000.00	6,231,684.98
4. Closing Balance	403,541,637.89	1,700,050.44		40,655,564.69	1,890,746.08	447,787,999.10
II. Accumulated amortization						
1. Opening Balance	87,906,483.14	423,796.46		17,038,895.83	1,510,023.13	106,879,198.56
2. Increase in current period	7,326,345.14	16,797.50		3,799,460.14	132,560.69	11,275,163.47
(1) Provision	7,326,345.14	16,797.50		3,799,460.14	132,560.69	11,275,163.47
3. Decrease in current period	2,586,535.41				13,859.99	2,600,395.40
(1) Disposal	2,586,535.41				13,859.99	2,600,395.40
4. Closing Balance	92,646,292.87	440,593.96		20,838,355.97	1,628,723.83	115,553,966.63
III. Provision for impairment						
1. Opening Balance						
2. Increase in current period						
(1) Provision						
3. Decrease in current period						
(1) Disposal						

4. Closing Balance						
IV. Book Value						
1. Closing Book Value	310,895,345.02	1,259,456.48		19,817,208.72	262,022.25	332,234,032.47 ¹
2. Opening Book Value	215,929,846.33	144,178.54		15,538,625.06	354,722.95	231,967,372.88

Note: 1. The closing balance increased CNY 100,266,659.59 compared with the opening balance, with an increase by 43.22%, primarily driven by the impact of acquisition of and with CNY 84,360,783.58 in the current period.

There is no proportion of intangible assets formed by internal development to the balance of intangible assets at the period-end.

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

Monetary Unit: CNY

Item	Book value	Reason for not having the certification of right
Land use right	35,497.96	The ownership certificate has not been processed yet for the historical reasons, and it plans to be processed after gradually improving procedures.

Other statements:

The net value of Luohan production area land is CNY 131,928.99, which has completed process of the land property rights in the first half of 2019. As of the period-end, the net value of the rest land without the certificate of right is CNY 35,497.96.

7.13. Long-term deferred expense

Monetary Unit: CNY

Item	Opening Balance	Increase	Amortization	Other decrease	Closing Balance
Improvement expense of rented fixed assets		955,342.52	26,537.29		928,805.23
Total		955,342.52	26,537.29		928,805.23

Other statements

The closing balance at the period-end is mainly the expense for the laboratory improvement in Chengdu by operating lease.

7.14. Deferred tax assets/ deferred tax liabilities

7.14.1. Deferred tax assets before offset

Monetary Unit: CNY

Item	Closing Balance		Opening Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairment	208,551,338.49	52,073,505.61	210,745,239.94	52,686,154.86
Unrealized profits from internal transactions	2,194,391,801.31	548,597,950.33	1,309,793,977.06	327,531,965.78
Deductible losses	4,745,206.42	1,186,301.61	872,951.87	218,237.97
Impact from salary	269,597,906.46	66,865,466.60	201,262,655.64	50,030,751.13
Impact from deferred earnings	23,845,000.00	5,961,250.00	18,840,778.20	4,555,670.74
Impact from fixed assets depreciation	277,518.07	45,790.48	145,146.51	23,949.17
Impact from fair value changes of other equity instrument investment	5,689,397.78	1,422,349.44	5,552,926.37	1,388,231.59
Total	2,707,098,168.53	676,152,614.07	1,747,213,675.59	436,434,961.24

7.14.2. Deferred tax liabilities before offset

Monetary Unit: CNY

Item	Closing Balance		Opening Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value changes of other equity instrument investment	253,721,814.56	63,430,453.64	228,226,891.99	57,056,723.00
Total	253,721,814.56	63,430,453.64	228,226,891.99	57,056,723.00

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

Monetary Unit: CNY

Item	Closing offset amount of deferred tax assets	Closing balance of deferred tax assets or	Opening offset amount of deferred tax assets	Opening balance of deferred tax assets or
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	and deferred tax liabilities	deferred tax liabilities after offset	and deferred tax liabilities	deferred tax liabilities after offset
Deferred tax assets		676,152,614.07		436,434,961.24
Deferred tax liabilities		63,430,453.64		57,056,723.00

7.14.4. Details of unrecognized deferred tax assets

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Deductible losses	16,684,718.93	17,608,147.09
Impact from employee benefits payable	3,997,637.66	1,618,142.01
Impact from provision for impairment of assets	8,007.14	5,096.46
Impact from fair value changes of other equity instrument investment	200,000.00	200,000.00
Total	20,890,363.73	19,431,385.56

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

Monetary Unit: CNY

Year	Closing Amount	Opening Amount	Notes
2019			
2020	1,320,354.35	2,954,015.20	
2021	2,942,475.67	8,109,464.53	
2022	668,388.33	6,544,667.36	
2023	760,000.23		
2024	10,993,500.35		
Total	16,684,718.93	17,608,147.09	--

7.15. Other non-current assets

Whether the Company has implemented the new revenue standards

Yes No

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Value-added tax to be deducted		4,314.05
Prepaid equipment and land expense	237,539,447.75	43,682,373.94

Others		1,293,208.42
Total	237,539,447.75	44,979,896.41

Other statements:

The closing balance increased CNY 192,559,551.34 compared with the opening balance, with an increase by 428.10%, mainly due to the impact of increase in the new prepayment on construction and payment on land in the current period in the Brewing Company, a Company's subsidiary.

7.16. Accounts payable

7.16.1. Presentation of accounts payable

Monetary Unit: CNY

Category	Closing Balance	Opening Balance
Materials and service expense	656,206,916.53	959,423,097.59
Engineering equipment expense	1,212,417,041.49	332,627,856.47
Total	1,868,623,958.02¹	1,292,050,954.06

Note: 1. The closing balance increased CNY 576,573,003.96 compared with the opening balance, with an increase by 44.62%, mainly due to the successive investment in brewing technical renovation project of capital raised project and the increase in engineering equipment expense payable.

7.17. Advance from customers

Whether the Company has implemented the new revenue standards

Yes No

7.17.1. Presentation of advances from customers

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Within 1 year	2,189,574,440.25	1,548,909,002.82
1-2 years	20,802,869.90	31,636,485.70
2-3 years	14,155,802.38	4,230,033.33
Over 3 years	19,909,531.11	19,649,668.11
Total	2,244,442,643.64¹	1,604,425,189.96

Note: 1. The closing balance increased CNY 640,017,453.68 compared with the opening balance, with an increase by 39.89%, mainly due to the increase in the sales volume and the impact of corresponding increase in payment of liquor sales in advance.

7.18. Employee benefits payable**7.18.1. Employee benefits payable shown as follows**

Monetary Unit: CNY

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
1. Short-term benefits	236,094,159.99	757,581,087.94	706,450,458.57	287,224,789.36
2. Post-employment benefits- defined contribution plans	31,989,061.98	103,208,722.92	80,405,858.30	54,791,926.60
3. Termination benefits	8,971.53			8,971.53
Total	268,092,193.50	860,789,810.86	786,856,316.87	342,025,687.49

7.18.2. Short-term employee benefits payable shown as follows

Monetary Unit: CNY

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
1. Wages, bonuses, allowances and grants	200,721,738.21	574,691,016.42	576,099,632.91	199,313,121.72
2. Employees' welfare		53,898,804.41	53,898,804.41	
3. Social insurance premiums	14,111,862.70	33,676,427.92	28,306,766.35	19,481,524.27
Including: Medical insurance premium	10,973,576.03	27,957,395.32	24,608,379.75	14,322,591.60
Work-related injury insurance	1,416,940.47	2,590,934.45	1,700,567.22	2,307,307.70
Maternity insurance premium	1,721,346.20	3,128,098.15	1,997,819.38	2,851,624.97
4. Housing funds	116,008.79	42,604,558.15	35,077,052.88	7,643,514.06
5. Labor union expenditures and employee education funds	21,144,550.29	52,710,281.04	13,068,202.02	60,786,629.31
Total	236,094,159.99	757,581,087.94	706,450,458.57	287,224,789.36

7.18.3. Defined contribution plan shown as follows

Monetary Unit: CNY

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
1. Basic endowment insurance premium	17,763,604.32	78,306,031.58	55,421,509.20	40,648,126.70
2. Unemployment insurance premium	7,159,873.96	2,533,558.86	1,997,307.73	7,696,125.09
3. Enterprise annuity	7,065,583.70	22,369,132.48	22,987,041.37	6,447,674.81
Total	31,989,061.98	103,208,722.92	80,405,858.30	54,791,926.60

7.19. Taxes payable

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Value-added tax	130,301,346.24	416,220,575.79
Consumption tax	706,805,251.73	544,950,527.72
Enterprise income tax	663,458,294.52	580,497,468.84
Individual income tax	24,337,261.47	9,702,128.37
Urban maintenance and construction tax	56,353,741.57	55,496,044.38
Education surcharge	24,151,666.39	22,601,336.84
Local education surcharge	16,101,110.87	13,211,282.71
Property tax	1,017,585.02	389,027.85
Stamp duty	438,646.53	4,300,446.09
Land use tax	9,891,132.70	616,031.18
Others	188,194.63	43,206.30
Total	1,633,044,231.67	1,648,028,076.07

7.20. Other payables

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Dividends payable	30,650,684.93	
Other payables	668,291,714.44	602,887,024.88
Total	698,942,399.37	602,887,024.88

7.20.1. Interest payable

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Interest of corporate bonds	30,650,684.93	
Total	30,650,684.93 ¹	

Note: 1. The Company has obtained approval from China Securities Regulatory Commission with the document “ZJXK [2019] No. 1312” for public issue of corporate bonds capped at CNY 4 billion. According to the *Announcement on the Public Issuance of Corporate Bonds (Phase I) to Eligible Investors by Luzhou Laojiao Co., Ltd. in 2019*, the Company’s public issue of corporate bonds to eligible investors in 2019 shall be capped at CNY 2.5 billion (inclusive of CNY 2.5 billion) with an issue price of CNY 100 per bond through off-market inquiry and allotment of institutional investors. The period of the issue started on 27 August 2019 and ended on 28 August 2019; the final amount actually issued was CNY 2.5 billion and the final stated interest rate was 3.58%.

Information of significant overdue but unpaid interest:

There is no significant overdue but unpaid interest.

7.20.2. Other payables

7.20.2.1. Categories by nature

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Security deposit	637,133,029.48	543,339,684.25
Intercourse funds	5,009,860.11	28,265,598.58
Others	26,148,824.85	31,281,742.05
Total	668,291,714.44	602,887,024.88

7.21. Bonds payable

7.21.1. Bonds payable

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Corporate bonds in 2019 (Phase I)	2,490,883,676.39	
Total	2,490,883,676.39	

7.21.2. Increase/decrease of bonds payable (excluding other financial instrument classified as financial liabilities such as preferred shares and perpetual bonds)

Monetary Unit: CNY

Bond name	Par value	Issuing date	Duration	Issuing amount	Opening Balance	Issued in the current period	Withdrawal of interest by par value	Amortization of premium and depreciation	Repayment in the reporting period	Closing Balance
Corporate bonds in 2019 (Phase I)	2,500,000,000.00	27 August 2019	3+2	2,490,000,000.00		2,490,000,000.00	30,650,684.93	883,676.39		2,490,883,676.39
Total	--	--	--	2,490,000,000.00		2,490,000,000.00	30,650,684.93	883,676.39		2,490,883,676.39 ¹

Note: 1. On 18 July 2019, the Company obtained approval from CSRC with the document “ZJXK [2019] No. 1312” for public issue of corporate bonds capped at CNY 4 billion (inclusive of CNY 4 billion) to eligible investors (hereinafter referred to as “the bonds”). The bonds would be issued in phases without guarantee. The Company’s public issue of corporate bonds (Phase I) to eligible investors in 2019 (hereinafter referred to as “the bonds of 2019”) started on 27 August 2019 and ended on 28 August 2019; the final amount actually issued was CNY 2.5 billion and the final stated interest rate was 3.58%. The short name of the bonds of 2019 was “19 Laojiao 01” and the code was “112959”. The nominal value of each bond was CNY 100, issue quantity 25 million, and issue price CNY 100 per bond. The term of the bonds of 2019 is five years, with the issuer’s option for adjustment to the stated interest rate and the investor’s option for sell back at the end of the third year.

7.22. Deferred income

Monetary Unit: CNY

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance	Reason
Government grants	20,981,155.00	17,020,000.00	14,156,155.00	23,845,000.00	Reception of financial allocation
Total	20,981,155.00	17,020,000.00	14,156,155.00	23,845,000.00	--

Details:

Monetary Unit: CNY

Liability Item	Opening Balance	Increase in current period	Non-operating income in current period	Other income in current period	Cost reduction in current period	Other changes	Closing Balance	Related to assets/income
Demonstration and application	2,380,000.00	20,000.00		20,000.00			2,380,000.00	Relevant to asset

project of intelligent production line for liquor brewing and qu-making								
Standardization demonstration base project	1,890,376.80			1,890,376.80				Related to assets
The second batch of provincial strategic emerging industry project	366,666.67			366,666.67				Relevant to asset
New mode application project of digital workshop for solid state liquor production	3,465,000.00					3,465,000.00		Relevant to asset
Solid state brewing engineering capacity improvement project	750,000.00			750,000.00				Related to assets
The national service industry development guidance fund central base construction	428,571.41			428,571.41				Relevant to asset

n project								
Luzhou Laojiao Co., Ltd. Logistics business spin-off project	1,150,000.00			1,150,000.00				Relevant to asset
Construction project of spirit room of Luzhou Laojiao brewing technical renovation		7,000,000.00				7,000,000.00		Related to assets
Luzhou Laojiao automatic wine production line technical renovation project	500,000.00					500,000.00		Relevant to asset
Luzhou agricultural science and technology park construction project	600,000.00			600,000.00				Related to assets
Demonstration project of science and technology service of solid brewing industry for food safety and	1,225,773.16			1,225,773.16				Relevant to asset

efficient production								
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				Relevant to asset
Demonstration project of thermochemical soil improvement materials and green planting of brewery waste	620,000.00			620,000.00				Related to income
Demonstration project of biomass gas technology and equipment	733,333.33			733,333.33				Relevant to asset

industrialization from solid waste of brewing								
Brewing wastewater treatment project		10,000,000.00					10,000,000.00	Related to assets
Luzhou-flavor liquor brewing intelligent workshop new mode application project	4,000,000.00			4,000,000.00				Relevant to asset
Other projects - related to assets	1,785,433.63			1,785,433.63				Related to assets

7.23. Share capital

Monetary Unit: CNY

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

7.24. Capital reserves

Monetary Unit: CNY

Item	Opening Balance	Increase in current period	Decrease in current period	Closing Balance
Share premium (capital premium)	3,536,865,466.83	6,102,040.65		3,542,967,507.48
Other capital reserves	179,809,555.65			179,809,555.65
Total	3,716,675,022.48	6,102,040.65		3,722,777,063.13

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

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 Pinchuang Technology continues to calculate from the purchase date when the company acquired a minority shareholding in the subsidiary company, Pinchuang Technology.

7.25. Other comprehensive income

Monetary Unit: CNY

Item	Opening Balance	Current Period						Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit and loss	Less: Previously recognized in other comprehensive income transferred to retained earnings	Less: Income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
I. Other comprehensive income that will not be reclassified into profit and loss	166,805,474.21	25,358,451.16			6,339,612.79	19,018,838.37		185,824,312.58
Fair value changes of other equity instrument investment	166,805,474.21	25,358,451.16			6,339,612.79	19,018,838.37		185,824,312.58
II. Other comprehensive income that will be reclassified into profit and loss	3,426,371.19	6,080,409.53				5,566,446.80	513,962.73	8,992,817.99
Including: Other comprehensive income that will be reclassified into profit and loss under equity method	1,220,399.81	4,938,830.88				4,938,830.88		6,159,230.69
Difference from conversion of financial statements in foreign currency	2,205,971.38	1,141,578.65				627,615.92	513,962.73	2,833,587.30
Total	170,231,845.40	31,438,860.69			6,339,612.79	24,585,285.17	513,962.73	194,817,130.57

7.26. Surplus reserves

Monetary Unit: CNY

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

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 shall not be drawn when the accumulated amount of the statutory surplus reserve has reached 50% of the registered capital.

7.27. Undistributed profits

Monetary Unit: CNY

Item	Current Period	Previous Period
Undistributed profit before adjustment at the end of the last year	10,181,899,224.84	8,527,196,810.86
Total adjustment for undistributed profit at the beginning of year	6,224,835.84	
Undistributed profit after adjustment at the beginning of year	10,188,124,060.68	8,527,196,810.86
Plus: Net profit attributable to owners of the parent company for the current period	4,641,988,857.03	3,485,643,008.98
Ordinary share dividends payable	2,270,366,337.80	1,830,940,595.00
Undistributed profits at the end of the period	12,559,746,579.91	10,181,899,224.84

List of adjustment of opening retained profits:

- 1) CNY 6,224,835.84 opening retained profits was affected by retrospective adjustment conducted according to the *Accounting Standards for Business Enterprises* and relevant new regulations.
- 2) CNY opening retained profits was affected by changes in accounting policies.
- 3) CNY opening retained profits was affected by correction of significant accounting errors.
- 4) CNY opening retained profits was affected by changes in combination scope arising from same control.
- 5) CNY opening retained profits was affected totally by other adjustments.

7.28. Operating revenue and cost of sales

Monetary Unit: CNY

Item	Current Period	Previous Period
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	Revenue	Cost of sales	Revenue	Cost of sales
Primary business	15,615,719,102.43	2,974,484,362.13	12,859,523,825.56	2,878,994,470.11
Other business	201,215,170.43	90,933,686.25	195,941,935.99	55,007,388.80
Total	15,816,934,272.86	3,065,418,048.38	13,055,465,761.55	2,934,001,858.91

Whether the Company has implemented the new revenue standards

Yes No

7.29. Business taxes and surcharges

Monetary Unit: CNY

Item	Current Period	Previous Period
Consumption tax	1,614,253,353.53	1,254,699,216.54
Urban maintenance and construction tax	194,163,333.35	186,133,761.82
Educational surcharge	83,212,857.10	79,725,865.40
Property tax	10,863,342.07	11,252,344.25
Land use tax	8,802,817.64	9,618,415.36
Stamp duty	7,717,838.58	11,077,748.47
Local education surcharge	55,475,238.14	53,171,925.46
Others	1,369,864.82	155,775.67
Total	1,975,858,645.23	1,605,835,052.97

7.30. Selling and distribution expenses

Monetary Unit: CNY

Item	Current Period	Previous Period
Advertising promotion and marketing expense	3,308,474,818.22	2,641,767,107.45
Transportation and storage costs	267,723,621.05	215,414,715.67
Others	609,903,714.32	535,539,609.21
Total	4,186,102,153.59	3,392,721,432.33

7.31. General and administrative expenses

Monetary Unit: CNY

Item	Current Period	Previous Period
Employee compensation	416,563,694.87	354,105,514.18

Depreciation and amortization	123,738,753.48	136,785,444.52
Management fee and service expense	70,060,721.26	55,198,156.70
Others	218,581,855.31	176,359,857.40
Total	828,945,024.92	722,448,972.80

7.32. Research and development expenses

Monetary Unit: CNY

Item	Current Period	Previous Period
Comprehensive research and development expenses	71,643,099.77	62,172,210.70
Total	71,643,099.77	62,172,210.70

7.33. Financial expenses

Monetary Unit: CNY

Item	Current Period	Previous Period
Interest expenses	139,603,113.82	64,698,037.12
Less: Interest income	344,656,931.22	280,805,447.66
Losses from currency exchange	-1,922,431.98	-731,529.96
Handling charges	1,891,755.69	1,772,457.71
Total	-205,084,493.69	-215,066,482.79

7.34. Other income

Monetary Unit: CNY

Item	Current Period	Previous Period
Government grants	43,319,756.65	22,342,598.30
Individual income tax commission refund	649,545.42	1,749,728.51

7.35. Investment income

Monetary Unit: CNY

Item	Current Period	Previous Period
Investment income from long-term equity investments under the equity method	145,963,325.70	88,881,022.50
Investment income gained during the period of holding the available-for-sale		9,112,541.00

financial assets		
Investment income gained during the period of holding other equity instrument investment	8,748,669.71	
Total	154,711,995.41	97,993,563.50

Other statements:

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

7.36. Credit impairment loss

Monetary Unit: CNY

Item	Current Period	Previous Period
Bad debt loss of other receivables	-234,313.59	
Bad debt loss of accounts receivable	-384,021.15	
Total	-618,334.74	

7.37. Assets impairment loss

Whether the Company has implemented the new revenue standards

Yes No

Monetary Unit: CNY

Item	Current Period	Previous Period
I. Bad debt loss		2,035,339.62
Total		2,035,339.62

7.38. Gains from disposal of assets

Monetary Unit: CNY

Item	Current Period	Previous Period
Gains from disposal of non-current assets	27,180,182.25	-492,389.13
Including: Gains from disposal of fixed assets	14,030,349.78	-492,389.13
Gains from disposal of intangible assets	13,149,832.47	

7.39. Non-operating income

Monetary Unit: CNY

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Compensation for default	29,331,754.71	26,772,376.92	29,331,754.71
Gains from damage retirement of non-current assets	84,375.58		84,375.58
Others	14,891,627.20	4,460,100.29	14,891,627.20
Total	44,307,757.49	31,232,477.21	44,307,757.49

7.40. Non-operating costs

Monetary Unit: CNY

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Donation	55,224,710.00	32,585,518.55	55,224,710.00
Losses from damage retirement of non-current assets	4,053,075.34	13,393,602.05	4,053,075.34
Others	508,720.12	3,549,328.49	508,720.12
Total	59,786,505.46	49,528,449.09	59,786,505.46

7.41. Income tax expense

7.41.1. Statement of income tax expense

Monetary Unit: CNY

Item	Current Period	Previous Period
Current period income tax	1,701,264,224.25	1,173,293,516.03
Deferred income tax	-239,683,534.98	-25,073,818.91
Total	1,461,580,689.27	1,148,219,697.12

7.41.2. Adjustment for accounting profit and income tax expense

Monetary Unit: CNY

Item	Current Period
Total profit	6,103,816,191.68
Income tax expenses determined by statutory/applicable	1,525,954,047.92

tax rate	
Impact from subsidiaries' different tax rates	-4,736,962.49
Impact from adjust for impact from income tax expense in previous period	13,839,831.13
Impact from non-taxable income	-41,585,497.67
Impact from non-deductible costs, expenses and losses	8,026,376.03
Impact from deductible losses of unrecognized deferred income tax at the beginning of the reporting period	-26,726,526.34
Impact from deductible temporary difference or losses due to unrecognized deferred tax asset in current period	2,891,592.65
Impact from research and development expense deduction	-16,082,171.96
Income tax expense	1,461,580,689.27

7.42. Other comprehensive income

Details in Note 5.25. Other comprehensive income.

7.43. Notes to the statement of cash flow

7.43.1. Cash received from other operation activities

Monetary Unit: CNY

Item	Current Period	Previous Period
Government grants	46,183,601.65	23,331,024.45
Interest income from bank deposit	328,991,131.22	263,400,471.52
Others	252,962,046.83	195,862,065.97
Total	628,136,779.70	482,593,561.94

7.43.2. Cash paid for other operating activities

Monetary Unit: CNY

Item	Current Period	Previous Period
Cash paid for expenses	3,270,452,860.33	3,076,367,890.52
Payment of tourism bureau deposit		1,200,000.00
Total	3,270,452,860.33	3,077,567,890.52

7.43.3. Cash paid for other investing activities

Monetary Unit: CNY

Item	Current Period	Previous Period
Cash paid for buying equity of subsidiary	10,149,100.00	9,604,800.00
Total	10,149,100.00	9,604,800.00

7.44. Supplementary information to statement of cash flow

7.44.1. Supplementary information to statement of cash flow

Monetary Unit: CNY

Item	Current Period	Previous Period
1. Reconciliation of net profit to cash flow from operating activities:	--	--
Net profit	4,642,235,502.41	3,510,465,888.43
Plus: Provision for asset impairment	618,334.74	-2,035,339.62
Depreciation of fixed asset, oil and gas assets and productive biological assets	156,086,942.79	154,991,709.23
Amortization of intangible assets	11,275,163.47	9,059,775.10
Amortization of long-term deferred expense	26,537.29	
Losses from disposal of fixed assets, intangible assets and other long-term assets (Gains use "-")	-27,180,182.25	492,389.13
Losses from retirement of fixed assets (Gains use "-")	3,968,699.76	13,393,602.05
Financial expenses (Gains use "-")	137,680,681.84	63,966,507.16
Losses on investments (Gains use "-")	-154,711,995.41	-97,993,563.50
Decrease in deferred income tax assets (Increase uses "-")	-239,717,652.83	-25,073,818.91
Decrease in inventories (Increase use "-")	-410,819,342.38	-418,549,226.69
Decrease in operating receivables (Increase use "-")	-21,852,590.05	233,990,726.21
Increase in operating payables (Decrease use "-")	744,009,104.48	855,207,369.65
Net cash flows from operating activities	4,841,619,203.86	4,297,916,018.24
2. Significant investing and financing activities not involving cash:	--	--

3. Net change in cash and cash equivalents:	--	--
Closing balance of cash	9,752,266,526.78	9,365,986,627.68
Less: Opening balance of cash	9,365,986,627.68	8,449,422,154.91
Net change in cash and cash equivalents	386,279,899.10	916,564,472.77

7.44.2. Composition of cash and cash equivalent

Monetary Unit: CNY

Item	Opening Balance	Closing Balance
1. Cash	9,752,266,526.78	9,365,986,627.68
Including: Cash on hand	28,776.67	4,420.76
Unrestricted bank deposit	9,744,243,225.66	9,364,716,075.36
Other unrestricted cash and cash equivalents	7,994,524.45	1,266,131.56
3. Closing balance of cash and cash equivalents	9,752,266,526.78	9,365,986,627.68
Including: Cash and cash equivalent with restriction to use of parent company and subsidiaries	1,400,000.00	1,400,000.00

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.

7.45. Assets with restricted ownership or use rights

Monetary Unit: CNY

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	--

7.46. Foreign currency transactions

7.46.1. Foreign currency transactions

Monetary Unit: CNY

Item	Closing Balance in Foreign	Exchange Rate	Closing Balance in CNY
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	Currency		
Cash at Bank and on Hand	--	--	189,983,949.92
Including: USD	26,555,613.02	6.97620	185,257,267.55
EUR	25,041.10	7.81550	195,708.72
HKD	4,718,143.04	0.89578	4,226,418.17
GBP	32,368.51	9.15010	296,175.10
AUD	1,715.78	4.88430	8,380.38
Accounts Receivable	--	--	19,246,231.88
Including: USD	47,330.54	6.97620	330,187.31
EUR			
HKD	21,116,841.83	0.89578	18,916,044.57
Long-term Loans	--	--	
Including: USD			
EUR			
HKD			
Other Receivables			3,288,597.93
Including: USD	2,107.00	6.97620	14,698.85
HKD	3,654,802.61	0.89578	3,273,899.08
Accounts Payable			8,581,256.24
Including: USD	46,209.75	6.97620	322,368.46
HKD	9,219,772.47	0.89578	8,258,887.78
Other Payables			27,118,301.10
Including: USD	148,747.31	6.97620	1,037,690.98
HKD	29,114,972.56	0.89578	26,080,610.12

7.46.2. 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
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7.47. Government grants

7.47.1. Details of government grants

Monetary Unit: CNY

Item	Amount	Presentation	Amount included in profit or loss of the current period
Related to assets	37,381,155.00	Deferred income	13,536,155.00
Related to income	620,000.00	Deferred income	620,000.00
Related to income	29,163,601.65	Other income	29,163,601.65

7.47.2. Return of government grants

Applicable N/A

Other statements:

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

Other statements:

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

Other statements:

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.

(1) The decrease of consolidated company at the period-end is deregistration of the subsidiary, Luzhou Boda Brewing Co., Ltd.

(2) The increase of consolidated company at the period-end is establishment of subsidiaries via investment including Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd., Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd., Luzhou Whitail Tongdao Uncle Constellation Wine Sales Co., Ltd., Luzhou Laojiao Whitail Innovated Electronic Commerce Co., Ltd., Luzhou Laojiao Selected Electronic Commerce Co., Ltd. and Luzhou Laojiao Commercial Development (North America) 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	Luzhou	Luzhou	Liquor sales	100.00%		Investment

of Luzhou Laojiao Co., Ltd.						
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	Liquor sales		100.00%	Investment
Guangxi Luzhou Laojiao Imported Liquor Industry Co., Ltd.	Qinzhou	Qinzhou	Red wine production and sales		100.00%	Investment
Luzhou Dingli Liquor Industry Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Dingyi Liquor Industry Sales Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Dinghao Liquor Industry Sales Co., Ltd.	Luzhou	Luzhou	Liquor sales		100.00%	Investment
Luzhou Laojiao Import and Export Trade Co., Ltd.	Luzhou	Luzhou	Wine import and export trade		100.00%	Investment
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	Luzhou	Luzhou	Liquor sales		75.00%	Investment
Luzhou Laojiao Bosheng Hengxiang Liquor Sales	Luzhou	Luzhou	Liquor sales		100.00%	Investment

Co., Ltd.						
Luzhou Laojiao Fruit Wine Industry Co., Ltd.	Luzhou	Luzhou	Fruit wine sales		41.00%	Investment
Mingjiang Co., Ltd.	America	America	Liquor sales		54.00%	Investment
Luzhou Pinchuang Technology Co., Ltd.	Luzhou	Luzhou	Technology development and service	100.00%		Investment
Luzhou Laojiao Tourism Culture 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 Commercial Development (North America) Co., Ltd.	America	America	Business development		100.00%	Investment
Luzhou Laojiao Electronic Commerce Co., Ltd.	Luzhou	Luzhou	Wine sales	90.00%		Investment
Luzhou Laojiao Whitail Innovated Electronic Commerce Co., Ltd.	Luzhou	Luzhou	Wine sales		100.00%	Investment
Luzhou Laojiao Selected Electronic Commerce Co., Ltd.	Luzhou	Luzhou	Wine sales		100.00%	Investment
Luzhou Laojiao Whitail Liquor	Luzhou	Luzhou	Wine sales		35.00%	Investment

Industry Co., Ltd.						
Chengdu Tianfu Panda Whitail Liquor Industry Co., Ltd.	Chengdu	Chengdu	Wine sales		60.00%	Investment
Luzhou Whitail Tongdao Unde Constellation Wine Sales Co., Ltd.	Luzhou	Luzhou	Wine sales		70.00%	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 Whitail Liquor Industry Co., Ltd. but in these companies' board, among the five members, the Company has sent three persons, which is in the majority. The Company has substantial control over these companies, so they are included in the consolidation scope.

9.1.2. Important non-wholly-owned subsidiaries

Monetary Unit: CNY

Name of subsidiary	Proportion of share holdings of non-controlling shareholders	Gains and losses attributable to non-controlling shareholders during current period	Dividends paid to non-controlling shareholders during current period	Closing balance of non-controlling shareholders interest
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	25.00%	5,056,555.26		88,344,176.52

9.1.3. Major financial information of important non-wholly-owned subsidiaries

Monetary Unit: CNY

Name of subsidiary	Closing Balance						Opening Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	1,314,554,833.37	2,881,595.65	1,317,436,429.02	964,059,722.96		964,059,722.96	1,166,879,541.23	8,708.99	1,166,888,250.22	833,737,765.21		833,737,765.21

Monetary Unit: CNY

Name of subsidiary	Current Period				Previous Period			
	Operating revenue	Net profit	Total comprehensive income	Operating cash flow	Operating revenue	Net profit	Total comprehensive income	Operating cash flow
Luzhou Laojiao Boda Liquor Industry Marketing Co., Ltd.	2,787,789,690.74	20,226,221.05	20,226,221.05	-335,380,170.98	2,493,854,876.92	-303,651.51	-303,651.51	16,457,683.16

9.1.4. Significant limitations for using group assets and paying off group liabilities

There are no significant limitations for using group assets and paying off group liabilities.

9.1.5. Financial support and other support provided to the structure subjects that are incorporated into the scope of consolidated financial statements

There are no structure subjects that are incorporated into the scope of consolidated financial statements.

Other statements:

9.2. Transactions that change owners' equity share of the subsidiary and still control the subsidiary

9.2.1. Statements for the changes of owners' equity share of the subsidiary

As stated in Note 1.6 note 4, on 28 December 2018, the 5th Meeting of the 9th Board of Directors reviewed and approved the *Proposal on Acquisition of Partial Equity in Luzhou Pinchuang Technology Co., Ltd. and Related Transaction*, and as of the period-end, the acquisition was completed, among which the Company has contributed CNY 50 million with 100% of shareholding.

9.2.2. Impact of the transactions on non-controlling interests and equity attributable to the parent company

Monetary Unit: CNY

	Luzhou Pinchuang Technology Co., Ltd.
--Cash	10,149,100.00
Total purchase cost/ disposal consideration	10,149,100.00
Less: share of net assets of the subsidiary calculated at the proportion acquired /disposed	16,251,140.65
Difference	-6,102,040.65
Including: Adjustment of capital reserves	6,102,040.65

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	Chengdu, Sichuan	Securities	10.39%		Equity method

Statement for that the proportion of shareholdings in joint ventures or associates is different from the proportion of voting rights:

The basis of holding less than 20% of the voting rights in other entities but having significant influence or holding 20% or more than 20% of the voting rights in other entities but having insignificant influence:

The Company has sent directors to the board of Huaxi Securities and has the corresponding substantive decision-making power, so the Company still has significant influence on Huaxi Securities.

9.3.2. Major financial information of important associates

Monetary Unit: CNY

	Closing Balance/Amount in current period	Opening Balance/Amount in previous period
	Huaxi Securities Co., Ltd.	Huaxi Securities Co., Ltd.
Current assets	57,134,274,353.71	40,401,035,988.45
Non-current assets	10,693,128,565.71	6,394,133,262.77
Total assets	67,827,402,919.42	46,795,169,251.22
Current liabilities	39,721,993,771.95	22,367,046,060.48
Non-current liabilities	8,411,797,290.51	6,014,025,121.83
Total liabilities	48,133,791,062.46	28,381,071,182.31
Non-controlling shareholder interest	44,225,184.16	44,260,373.43
Shareholder interest attributable to parent company	19,649,386,672.80	18,369,837,695.48
Share of net assets calculated based on shareholding proportion	2,042,272,245.65	1,909,281,460.40
--Others	167,466,735.90	167,466,735.90
Book value of equity investments in associate companies	2,209,738,981.55	2,076,748,196.31
Fair value of equity investments in associate companies that have public quote	3,003,870,895.44	2,283,596,675.28
Operating revenue	3,937,424,572.74	2,545,233,363.80
Net profit	1,431,540,167.66	845,132,348.07
Other comprehensive income	47,518,149.37	-9,197,741.57
Total comprehensive income	1,479,058,317.03	835,934,606.50
Dividends from associate companies this year	20,735,166.94	10,367,583.46

9.3.3. Financial information summarized of unimportant joint ventures and associate companies

Monetary Unit: CNY

	Closing Balance/Amount in current period	Opening Balance/Amount in previous period
Joint ventures:	--	--
Total following items calculated on the basis of shareholding proportion	--	--

Associate companies:	--	--
Total book value of investments	20,982,744.17	15,806,539.78
Total following items calculated on the basis of shareholding proportion	--	--
--Net profit	-2,823,795.61	-829,619.65
-- Total comprehensive income	-2,823,795.61	-829,619.65

10. Risks related to financial instruments

Business activities of a company usually face various financial risks, mainly credit risk, liquidity risk and market risk. The Company's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Company's financial performance.

10.1. Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot perform its obligations, causing financial losses to the other party. The Company only trades with recognized, reputable, and large third parties. In accordance with the Company's policy, the terms of sale with customers are based on transactions of payment before delivery, with only a small amount of credit transactions, and credit review for all customers who require credit to trade. In addition, the Company continuously monitors and controls the balance of the receivables to ensure that the Company does not face significant bad debt risks.

10.2. Liquidity risk

Liquidity risk refers to the risk unable to obtain sufficient funds in time to meet business development needs or to repay debts due and other payment obligations. The Company has sufficient working capital, and in recent years there has been no external borrowing to supplement the working capital of daily operating activities. The liquidity risk is extremely small.

10.3. Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

10.3.1. Foreign exchange risk

The Company's main business is located in the mainland of China, and main business is settled in CNY. Only 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

Monetary Unit: CNY

Item	Closing fair value			
	Level 1	Level 2	Level 3	Total
1. Continuous measurement at fair value	--	--	--	--
1.3 Other equity instrument investment	318,590,971.32		33,804,284.46	352,395,255.78
1.6 Accounts receivable financing			2,393,797,259.80	2,393,797,259.80
2. Discontinuous measurement at fair value	--	--	--	--

11.2. Determination basis of the market value of items measured continuously and discontinuously within Level 1 of the fair value hierarchy

The listed companies in mainland China determine the fair value of other equity instrument investment according to the closing price on the last trading day of Shenzhen Stock Exchange or Shanghai Stock Exchange at the period-end. The companies listed in Hong Kong determine the fair value of other equity instrument investment according to the closing price of Hong Kong Dollar on the last trading day of Hong Kong Stock Exchange at the period-end and the median price of RMB exchange rate disclosed on the same day by China Foreign Exchange Trade System.

11.3. Valuation technique adopted and nature and amount determination of important parameters for continuously and discontinuously within Level 3 of the fair value hierarchy

Accounts receivable financing: Due to the short term of notes receivable less than 1 year, and the sales time, sales price and sale proportion cannot be estimated reliably, the Company shall measure the fair value by regarding the face value as the reasonable estimation.

Other equity instrument investment: Due to no significant changes in business environment, business condition and financial situation of invested companies, the Company shall measure the fair value according to the lower one between investment cost and the share of net assets enjoyed by invested companies on the base date as the reasonable estimation.

12. Related parties and related party transactions

12.1. The parent company of the Company

Parent company	Registration place	Business nature	Registered capital	Shareholding proportion by the parent company	Voting rights proportion by the parent company
Luzhou Laojiao Group Co., Ltd.	Luzhou, Sichuan	Investment and asset management	2,798,818,800.00	26.02%	51.01%

Statements for situation of parent company:

The nature of parent company: Limited liability company (wholly state-owned);

Registration place: Ai Rentang Square, China Liquor Golden Triangle Wine Industry Park, Luzhou, Sichuan Province; Business Scope: Investment and asset management; investment in liquor, food, finance, trade, logistics, education, medical and health, cultural tourism, Internet industry; holding company services; social economic consulting, business management consulting; enterprise management services; supply chain management services; import and export business and trade agency; food production, sales (including online); planting and sales of crops (including online). (The Company cannot start business activities until projects subject to approval according to law are approved by relevant departments.)

The final control party of the Company is SASAC of Luzhou.

12.2. Subsidiaries of the Company

For details please see Note 7.1. Interests in subsidiaries

12.3. Joint ventures and associates of the Company

For details please see Note 7.3. Interests in joint ventures and associates.

Other statements

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 Jiaxin Holding Group Co., Ltd. Note 2	The same parent company
Luzhou Liquor Industry Central Development Area Brewing Co., Ltd.	The same parent company
Sichuan Kangrun Group Construction and Installation Engineering Co., Ltd. Note 3	The same parent company
Luzhou Laojiao Zhitong Trading Co., Ltd.	The same parent company

Luzhou Lianzhong Logistics Co. Ltd.	The same parent company
Luzhou COSCO Lianzhong Logistics Co., Ltd.	The same parent company
Luzhou Laojiao Commercial College of Luzhou	The same parent company
Sichuan Kangrun Group Yongsheng Asset Operation Management Co., Ltd. Note 4	The same parent company
Sichuan Wine & Spirits Trading Center Co., Ltd.	The same parent company
Sichuan Kangrun Group Real Estate Development Co., Ltd. Note 5	The same parent company
Sichuan Kangrun Investment Group Co., Ltd. Note 6	The same parent company
New Shottes Brook Private Company	The same parent company
Huaxi Securities Co., Ltd.	Associate company and the same parent company
Laojiao Group and its other subsidiaries	The same parent company
Luzhou Communication Investment Group Auto Service Co., Ltd.	Subsidiary of the second largest shareholder
Luzhou Huarun XingLu Gas Co., Ltd.	Subsidiary of the second largest shareholder
Luzhou XingLu Water (Group) Co., Ltd.	Subsidiary of the second largest shareholder
Luzhou XingLu Property Management Co., Ltd.	Subsidiary of the second largest shareholder
Luzhou XingLu Investment Group Co., Ltd. and its other subsidiaries	Other subsidiary of the second largest shareholder

Other statements:

Note 1: On 31 December 2015, Laojiao Group and XingLu Investment Group, the second biggest shareholder, signed a concerted action agreement that when the parties in deal with the Company's business development and make decisions by shareholders meeting and board of directors according to the company law and other relevant laws and regulations and the articles of association, the parties should adopt the consistent actions. The agreement is valid as of 13 December 2015 and ends on 1 June 2021. During the effective period of this agreement, before any party submits proposals involving the major issues of the Company's business development to the shareholders meeting or exercise the voting rights at the shareholders meeting and the board of directors, the internal coordination for relevant proposals and voting events shall be conducted by persons acting in concert. If there are different opinions, it will be subject to Laojiao Group's opinion. In view of this, the Company will disclose the transactions with XingLu Investment Group and its controlling enterprises as other related parties of the Company.

Note 2: Luzhou Laojiao Industrial Investment Management Co., Ltd. was renamed Luzhou Jiaxin Holding Group Co., Ltd. in November 2019.

Note 3: Luzhou Laojiao Construction and Installation Engineering Co., Ltd. was renamed Sichuan Kangrun Group Construction and Installation Engineering Co., Ltd. in October 2019.

Note 4: Luzhou Yongsheng Asset Operation Management Co., Ltd. was renamed Sichuan Kangrun Group Yongsheng Asset Operation Management Co., Ltd. in December 2019.

Note 5: Luzhou Laojiao Real Estate Development Co., Ltd. was renamed Sichuan Kangrun Group Real Estate Development Co., Ltd. in October 2019.

Note 6: Luzhou Laojiao Yongsheng Property Investment Management Co., Ltd. was renamed Sichuan Kangrun Investment Group Co., Ltd. in March 2018.

12.5. Related transactions

12.5.1. Related transactions of purchase and sales of goods / rendering and receipt of services

Table of purchase of goods / receipt of services

Monetary Unit: CNY

Name of Related Party	Transaction	Amount in current period	Approved trading amount	Whether over approved trading amount	Amount in previous period
Receipt of services:					
Luzhou XingLu Investment Group Co., Ltd. and its other subsidiaries	Property management fee ,etc.	3,909,858.41			1,911,100.00
Laojiao Group and its other subsidiaries	Training, accommodation, storage, transportation services, etc.	46,058,991.08			18,260,072.47
Purchase of goods:					
Sichuan Wine & Spirits Trading Center Co., Ltd.	Housing construction fee , land expense, etc.	287,389,843.00 ¹			
Luzhou Jiaxin Holding Group Co., Ltd.	Land expense, etc.				26,292,000.00
Laojiao Group and its other subsidiaries	Red wine, water, power, etc.	41,924,295.93			67,306,259.50
Luzhou XingLu Investment Group Co., Ltd. and its other subsidiaries	Water, gas, etc.	7,153,652.03			8,224,842.06
Luzhou Laojiao Group Co., Ltd.	Acquisition of 30% equity of				10,594,650.00

	Sichuan Development Wine Investment Co., Ltd. held by Laojiao Group				
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Note: 1. The 11th Meeting of the 9th Board of Directors held on 15 October 2019 reviewed and approved the *Proposal on Acquisition of Assets and Related Transaction*; in order to upgrade and construct Luzhou Laojiao Liquor Culture and Tourism Industrial Park Scenic Area, the Company decided to purchase the land use right, construction in progress and equipment assets of Sichuan Wine & Spirits Trading Center Co., Ltd., the wholly-owned subsidiary of controlled shareholder Luzhou Laojiao Group by self-owned fund of CNY 287.3898 million (including transaction VAT) according to asset appraisal value. The transaction is paid in installment in line with the asset transfer price under the appraisal value in assessment report (YXPBZ [2019] Hu No. 0659) issued by Yinxin Appraisal Co., Ltd..

Table of sales of goods and rendering of service

Monetary Unit: CNY

Name of Related Party	Transaction	Amount in current period	Amount in previous period
Sales of goods:			
Laojiao Group and its subsidiaries	Wine, etc.	3,985,144.32	318,580.42
XingLu Investment Group and its subsidiaries	Wine	156,000.00	586,044.00
Rendering of service:			
Luzhou Laojiao Group Co., Ltd.	Rendering of service		1,190,880.00

12.5.2. Related party leasing

The Company as lessee:

Monetary Unit: CNY

Name of lessor	Type of leased asset	Leasing fee recognized during current period	Leasing fee recognized during previous period
Laojiao Group and its subsidiaries	House lease	1,551,064.09	1,851,227.44

12.5.3. Key management compensation

Monetary Unit: CNY

Item	Amount in current period	Amount in previous period
Key management	7,467,800.00	6,977,200.00

12.6. Receivables and payables of related parties

12.6.1. Receivables

Monetary Unit: CNY

Item	Related party	Closing Balance		Opening Balance	
		Book value	Provision for bad debt	Book value	Provision for bad debt
Other non-current assets (transfer prepayment of land use right)	Luzhou Jiaxin Holding Group Co., Ltd.	70,994,300.00 ¹			
Prepayment	New Shottes Brook private company	32,149,113.33		18,086,370.77	
Prepayment	Luzhou XingLu Water (Group) Co., Ltd.	3,145.70		4,377.45	
Other receivables	Sichuan Kangrun Investment Group Co., Ltd.	10,000.00			
Prepayment	Sichuan Kangrun Investment Group Co., Ltd.			10,000.00	
Accounts receivable	Sichuan Kangrun Group Yongsheng Asset Operation Management Co., Ltd.			1,526.40	

Note: 1. The 15th Meeting of the 9th Board of Directors held on 13 December 2019 reviewed and approved the *Proposal on the Acquisition of Land for Technical Renovation Project of Intelligent Packaging Center and Related Transaction*; the Company made the decision that the wholly-owned subsidiary, Luzhou Laojiao Brewing Co., Ltd. purchased the 5 cases of land use right with 204.82 mu of Luzhou Jiaxin Holding Group Co., Ltd., the wholly-owned subsidiary of the controlled shareholder Luzhou Laojiao Group, in Luzhou Liquor Industry Central Development Area by self-owned fund of CNY 100.7767 million (including transaction VAT) according to appraisal value, which was used for construction of technical renovation of intelligent packaging center. The transaction is paid in installment in line with the asset transfer price under the appraisal value in assessment report (BJYCPBZ [2019] No. A212) issued by Beijing Yachao Asset Appraisal Co., Ltd..

12.6.2. Payables

Monetary Unit: CNY

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Sichuan Kangrun Group Real Estate Development Co., Ltd.	372,467.29	20,255.07
Accounts payable	Luzhou XingLu Water (Group) Co., Ltd.	297,019.53	
Accounts payable	Luzhou Lianzhong Logistics Co. Ltd.	135,824.73	946,701.22
Accounts payable	Luzhou Huarun XingLu Gas Co., Ltd.		382,967.14
Accounts payable	Luzhou Laojiao Commercial College		4,100.00
Accounts payable	Luzhou Communication Investment Group Auto Service Co., Ltd.	13,950.00	
Accounts payable	Luzhou Jiaxin Holding Group Co., Ltd.	178,170.40	
Advance from customers	Luzhou Laojiao Zhitong Trading Co., Ltd.		900,866.00
Advance from customers	Luzhou Lianzhong Logistics Co. Ltd.	2,628.03	
Advance from customers	Luzhou Laojiao Group Co., Ltd.	1,680.00	1,680.00
Advance from customers	Luzhou Laojiao Commercial College	840.00	840.00
Other payables	Luzhou Lianzhong Logistics Co. Ltd.	750,000.00	
Other payables	Luzhou XingLu Property Management Co., Ltd.	100,000.00	
Other payables	Luzhou COSCO Lianzhong Logistics Co., Ltd.	200,000.00	
Other payables	Sichuan Kangrun Group Construction and Installation Engineering Co., Ltd.		34,175.78
Other payables	Luzhou Liquor Industry Central Development Area Brewing Co., Ltd.		154,352.70

13. Commitments and contingencies

13.1. Contingencies

13.1.1. Significant contingencies at the balance sheet date

On 15 October 2014 and 10 January 2015, the Company disclosed three saving deposits involving contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank, with a total amount of CNY 500 million. The public security organization has investigated, and the investigation of related cases and the preservation of assets are under way. The Company has initiated a civil procedure to recover the loss from the responsible unit, among them:

The criminal case with saving deposits involving contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch with amount of CNY 150 million was concluded, and the amount involved in the case was ultimately determined to be CNY 149.425 million, which was executed by criminal case. As of 30 June 2019, CNY 17.9799 million was recovered. The civil case has been decided by Hunan Higher People's Court in the first instance, and now is under the second trial of the Supreme People's Court.

The Company has filed a lawsuit with Sichuan Higher People's Court about the saving deposits involving contract disputes in Industrial and Commercial Bank of China Ltd. Nanyang Zhongzhou Sub-branch with amount of 150 million. Sichuan Higher People's Court ruled that the case should be transferred to the Henan Higher People's Court. Henan Higher People's Court considered that due to the involvement of criminal cases, its trial should be based on the results of criminal case, and judged to suspend in 2015. Now the case has been settled, and the case of civil action is reopened, which is under trial of Henan Higher People's Court.

Another deposit in the *Notice of Significant Events* No. 2015-1 has been recovered a total of CNY 194.6198 million as of the period-end, and the residual amount is recovering actively.

The Company has recovered the abovementioned saving deposits involving contract disputes with CNY 212.5997 million, and the relevant progress will be announced subsequently.

Except for the above matters, the Company has no other significant contingencies that need to be disclosed as the end of 31 December 2019.

13.1.2. In despite of no significant contingency to disclose, the Company shall also make relevant statements

There is no significant contingency to disclose.

14. Post balance sheet event

14.1. Profit distribution

Monetary Unit: CNY

Profits or dividends planned to distribute	2,328,956,436.84
Reviewed and approved profits or dividends declared to distribute	2,328,956,436.84

14.2. Sales return

There are no important sales returning after balance sheet date.

14.3. Statement for other post balance sheet events

(1) The public issuance of corporate bonds (Phase I) to eligible investors in 2020

The Company has obtained the approval from the CSRC with the document the “ZJXK [2019] No. 1312” on 18 July 2019 for public issue of corporate bonds (hereinafter referred to as “the bonds”) with total face value of no more than CNY 4 billion (inclusive of CNY 4 billion) to eligible investors.

The bonds would be issued in phases without guarantee. The Company’s public issue of corporate bonds (Phase I) to eligible investors in 2020 (hereinafter referred to as “the bonds of 2020”) shall be capped at CNY 1.5 billion (inclusive of CNY 1.5 billion). The short name of the bonds of 2020 will be “20 Laojiao 01” and the code “149062”. The nominal value of each bond will be CNY 100, issue quantity capped at 15 million (inclusive of 15 million), and issue price CNY 100 per bond. The bonds will have a term of five years and be issued through off-market inquiry and allotment of institutional investors. The period of the issue started on 16 March 2020 and ended on 17 March 2020; the final amount actually issued was CNY 1.5 billion and the final interest rate was 3.50%.

(2) The acquisition of assets from related party by subsidiary

The 18th Meeting of the 9th Board of Directors held on 18 March 2019 reviewed and approved the *Proposal on Acquisition of Assets by Subsidiary and Related Transaction*; in order to construct the region-concentrated modern production base, the Company decided that Luzhou Laojiao Brewing Co., Ltd., the wholly-owned subsidiary, purchased the land and supporting structures of Luzhou Jiaxin Holding Co., Ltd., the wholly-owned subsidiary of the controlled shareholder Luzhou Laojiao Group by self-owned fund with CNY 227.5466 million (including transaction VAT) according to appraisal value, which was used for base liquor storage; the transaction is paid in installment in line with the asset transfer price under the appraisal value in assessment report (BJYCPBZ [2019] No. A213) issued by Beijing Yachao Asset Appraisal Co., Ltd., namely the total price including tax of CNY 227.5466 million; the related transaction doesn’t constitute the major assets restructuring, and restructuring and listing stipulated in the *Measures for the Administration of Major Assets Restructuring of Listed Companies*, which is no need to be submitted to the general meeting for deliberation.

(3) The progress of saving deposits involving the contract disputes

The Company has obtained the *Paper of Civil Judgment* concerning the saving deposit case of

Changsha by Supreme People's Court. According to the paper, the Supreme People's Court has rejected the appeal of the Company and affirmed the original judgment, so the judgment was the final judgment. As of the reporting date, the Company has recovered CNY 20.2399 million in saving deposits case of Changsha involving contract disputes. The judgment has no significant influence to the profit in or after the current period.

(4) The impact evaluation of COVID-19 epidemic situation

Since the COVID-19 outbreak across the country in January 2020, efforts have been made continuously to prevent and control the epidemic in the whole country. The Company has made active response to and strictly implemented all regulations and requirements of the party and governments at all levels for the epidemic prevention and control. To juggle anti-epidemic work and production, the Company and its subsidiaries have orderly resumed business in a bid to support the country's strategic decisions in a number of aspects, including guarantee of supplies, social responsibilities and internal management.

As part of its tangible effort to perform its social responsibilities as a listed company, the Company held the 17th Meeting of the 9th Board of Directors on 27 January 2020. The *Proposal on Fighting COVID-19 through Donation of Medical Supplies and Cash Support* was reviewed and approved. Based on the Proposal, the Company decided to donate medical supplies and cash worth about CNY 20 million in the COVID-19 prevention and treatment.

The Company anticipates that the epidemic and prevention and control measures will cause temporary impact to its production and operation, with the severity of impact depending on the progress and duration of the epidemic prevention and control and the implementation of prevention and control policies in different places. The Company will continue to keep close watch on the developments of the epidemic, and assess and actively respond to its impact on the Company's financial status and operating results. As at the date of this report, the assessment is still in progress.

Except for the above matters, the Company has no other post balance sheet events that need to be disclosed as of 27 April 2020.

15. Other important information

15.1. 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.

15.2. Segment information

15.2.1. If the Company has no reporting segment or cannot disclose total assets and total liabilities of reporting segments, the reason should be disclosed.

Except for the business on wine sales, the Company does not operate other businesses that have a significant impact on operation results. In addition, the Company operates mainly in one area, revenue mainly from China and main assets also located in China, so the Company does not need to disclose segment data.

15.3. Other significant events that can affect investors' decision

(1) Saving deposits involving contract disputes

As stated in Note 12.2, three saving deposits involved contract disputes in Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank, with a total amount of CNY 500 million. At present, the investigation of related cases and the preservation of assets have been under way. The Company has initiated a civil procedure to recover the loss from the responsible unit.

Based on the amount of assets preserved by the public security organization at present and professional legal opinions issued by Beijing Weiheng (Chengdu) Law Firm on 17 March 2020, the Company has made provision for bad debts on savings deposits involving contract disputes of CNY 200 million. In the future, the amount of bad debts may be adjusted along with the process and recovery of cases.

(2) Progress of technical renovation project of brewing investment

Based on the Company's development strategy, the "13th Five-Year Plan" and deep analysis of the liquor industry and the actual situation of the Company itself, the Company invested in the implementation of technical renovation project of brewing with Brewing Company, the wholly-owned subsidiary, as the main body. The total investment of the project is CNY 7,414.28 million, and the required funds are solved by the Company with self-owned funds and other financing methods. At present, the project has invested a total of CNY 6362.6908 million, and the completion ratio has been 85%.

(3) State-owned shareholders signed a concerted action agreement

On 31 December 2015, the state-owned shareholders and XingLu Investment 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. Except for the above matters, the Company has no other significant events that can affect investors' decision that need to be disclosed as of 31 December 2019.

16. Notes to the main Items of the financial statements of parent company (all currency unit is CNY, except other statements)

16.1. Accounts receivable

16.1.1. Analysis by categories

Monetary Unit: CNY

Type	Closing Balance					Opening Balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Including:										
Accounts receivables tested for impairment by the portfolio	21,759.06	100.00%	196.21	0.90%	21,562.85	68,103.61	100.00%	405.18	0.59%	67,698.43
Including:										
Accounts receivables tested for impairment on the portfolio with characteristics of credit risk	21,759.06	100.00%	196.21	0.90%	21,562.85	68,103.61	100.00%	405.18	0.59%	67,698.43
Total	21,759.06	100.00%	196.21	0.90%	21,562.85	68,103.61	100.00%	405.18	0.59%	67,698.43

Accounts receivables tested for impairment by the portfolio: characteristics of credit risk

Monetary Unit: CNY

Item	Closing Balance		
	Book balance	Provision for bad debt	Proportion
Risk portfolio	21,759.06	196.21	0.90%
Other portfolios			

Statements for determining the portfolio:

The Company will combine the accounts receivable divided into credit risk portfolio according to similar characteristics of credit risk (aging), and calculate expected credit loss with the reference of historical credit loss experience and combination of present condition and prediction of future financial situation, as well as through default risk exposure and expected credit loss rate in the duration.

Statements for determining the portfolio:

Please refer to the relevant information of disclosure of provision for bad debt of other accounts receivable if adopting the general mode of expected credit loss to withdraw provision for bad debt of accounts receivable.

Applicable N/A

Disclosure by aging

Monetary Unit: CNY

Aging	Book balance
Within 1 year (including 1 year)	21,759.06
Total	21,759.06

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

Allowance of provision for bad debt:

Monetary Unit: CNY

Type	Opening Balance	Current Period				Closing Balance
		Allowance	Reversal or recovery	Write-off	Other	
Accounts receivables tested for impairment by the portfolio	405.18		208.97		196.21	
Total	405.18		208.97		196.21	

There is no accounts receivable reversed or recovered with significant amount during the reporting period.

16.1. 3. Accounts receivable actually written off during the reporting period

Of which significant accounts receivable written off:

Statements for accounts receivable written off:

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

16.1. 4. Top five entities with the largest balances of accounts receivable

Monetary Unit: CNY

Company Name	Closing Balance	Proportion to total closing balance of accounts receivable	Closing Balance of provision for bad debt
Luzhou Laojiao Brewing Co.,	17,834.94	81.97%	

Ltd.			
Suchuan Fifth Construction Co., Ltd.	3,924.12	18.03%	196.21
Total	21,759.06	100.00%	

16.1. 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.

16.1.6. 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.

16.2. Other receivables

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Interest receivable	40,570,144.44	29,970,944.44
Other receivables	5,809,911,336.06	4,627,756,101.58
Total	5,850,481,480.50	4,657,727,046.02

16.2.1. Interest receivable

16.2.1.1. Classification of interest receivable

Monetary Unit: CNY

Item	Closing Balance	Opening Balance
Fixed deposits	40,570,144.44	29,970,944.44
Total	40,570,144.44	29,970,944.44

16.2.1.2. Significant interest receivable overdue

Other statements:

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

16.2.1.3. Provision for bad and doubtful debt

Applicable N/A

16.2.2. Other receivables**16.2.2.1. Other receivables disclosed by nature**

Monetary Unit: CNY

Nature	Closing book balance	Opening book balance
Intercourse funds of subsidiaries receivable	5,709,914,323.15	4,510,110,733.71
Intercourse funds	14,258,750.49	14,282,195.47
Petty cash	454,894.47	698,657.73
Saving deposits involving contract disputes	287,400,297.52	307,456,275.25
Total	6,012,028,265.63	4,832,547,862.16

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

Monetary Unit: CNY

Provision for bad debt	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	4,791,760.58		200,000,000.00	204,791,760.58
Balance of 1 January 2019 in the current period	—	—	—	—
Allowance of the current period	58,266.99			58,266.99
Verification of the current period	2,733,098.00			2,733,098.00
Balance of 31 December 2019	2,116,929.57		200,000,000.00	202,116,929.57

Changes of carrying amount with significant amount changed of loss provision in the current period

 Applicable N/A

Disclosure by aging

Monetary Unit: CNY

Aging	Book balance
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Within 1 year (including 1 year)	5,721,939,715.25
1-2 years	1,176,427.93
2-3 years	65,000.00
Over 3 years	288,847,122.45
3-4 years	47,606.93
4-5 years	166,218.00
Over 5 years	288,633,297.52
Total	6,012,028,265.63

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

Allowance of provision for bad debt:

Monetary Unit: CNY

Type	Opening Balance	Current Period				Closing Balance
		Allowance	Reversal or recovery	Write-off	Other	
Other receivables tested for impairment individually Note 1	200,000,000.00					200,000,000.00
Other receivables tested for impairment by the portfolio	4,791,760.58	58,266.99		2,733,098.00		2,116,929.57
Total	204,791,760.58	58,266.99		2,733,098.00		202,116,929.57

Note 1: Refer to Note 5.5, 12.2 for details.

Of which provision for bad debt reversed or recovered with significant amount:

There is no provision for bad debt reversed or recovered of other receivables with significant amount in the reporting period.

16.2.2.4. Other receivables actually written off during the reporting period

Monetary Unit: CNY

Item	Written off amount
Other receivables actually written off	2,733,098.00

Of which significant other receivables written off:

Monetary Unit: CNY

Company Name	Nature	Amount	Reason	Written-off procedures	Whether generated from related transaction
China Real Estate Development Corporation Luzhou Branch	Intercourse funds	1,500,000.00	Irrecoverable	Managed according to lawyer's investigation report and approved by manager's office of the Company	No
Luzhou Tuojiang Market	Intercourse funds	1,233,098.00	Irrecoverable	Managed according to lawyer's investigation report and approved by manager's office of the Company	No
Total	--	2,733,098.00	--	--	--

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

Monetary Unit: CNY

Company Name	Nature	Closing Balance	Aging	Proportion in total receivables	Provisioning amount at period end
Luzhou Laojiao Brewing Co., Ltd.	Internal transactions	4,736,901,888.26	Within 1 year	78.79%	
Luzhou Laojiao Bosheng Hengxiang Liquor Sales Co., Ltd.	Internal transactions	379,412,818.63	Within 1 year	6.31%	
Agricultural Bank of China Changsha Yingxin Sub-branch, Industrial and Commercial Bank of China Nanyang Zhongzhou Sub-branch and another bank.	Saving deposits involving contract disputes	287,400,297.52	Over 5 years	4.78%	200,000,000.00

Luzhou Laojiao Electronic Commerce Co., Ltd.	Internal transactions	277,873,441.14	Within 1 year	4.62%	
Luzhou Laojiao Import and Export Trade Co., Ltd.	Internal transactions	147,987,109.34	Within 1 year	2.46%	
Total	--	5,829,575,554.89	--	96.96%	200,000,000.00

16.2.2.6. Other receivables involving government grants

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

16.2.2.7. Other receivables derecognized arising from financial assets transfer

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

16.2.2.8. 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.

16.3. Long-term equity investments

Monetary Unit: CNY

Item	Closing Balance			Opening Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiary	3,413,960,128.11		3,413,960,128.11	3,403,811,028.11		3,403,811,028.11
Investment in associates and joint venture	2,225,288,824.52	2,567,098.80	2,222,721,725.72	2,095,121,834.88	2,567,098.80	2,092,554,736.08
Total	5,639,248,952.63	2,567,098.80	5,636,681,853.83	5,498,932,862.99	2,567,098.80	5,496,365,764.19

16.3.1. Investment in subsidiary

Monetary Unit: CNY

Investee	Opening Balance (book value)	Changes in current period				Closing Balance (book value)	Closing balance of provision for
		Increase	Decrease	Provision for	Other		

				impairment			impairment
Luzhou Pinchuang Technology Co., Ltd.	47,500,000.00	10,149,100.00				57,649,100.00 ¹	
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.	51,604,800.00					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.	0.00					0.00 ²	
Total	3,403,811,028.11	10,149,100.00				3,413,960,128.11	

Note: 1. As stated in Note 1.6 note 4, the Company acquired the subscribed equity of Pinchuang Technology held by non-controlling shareholders according to evaluated price by self-owned fund; as of 31 December 2019, the Company has completed the acquisition of subscribed equity, and has paid the acquisition price of CNY 10,149,100.00.

2. The Company obtained 100% of equity in Health Liquor Industry by the business combination under the same control. The net assets of Health Liquor Industry were negative on the M&A date, and the book cost of long-term equity investment was limited to 0 by the Company.

16.3.2. Investment in associate and joint venture

Monetary Unit: CNY

Investee	Opening Balance (book value)	Changes in current period								Closing Balance (book value)	Closing Balance of provision for impairment
		Increase	Decrease	Gain or loss recognized under equity method	Adjustments of other comprehensive income	Changes in other equity	Cash dividend or profit declared	Provision for impairment	Other		
1. Joint Venture											
2. Associate											
Huaxi Securities Co., Ltd.	2,076,748,196.30			148,787,121.31	4,938,830.88		20,735,166.94			2,209,738,981.55	2,567,098.80
Sichuan Development Wine Investment Co., Ltd.	15,806,539.78			-2,823,795.61						12,982,744.17	
Subtotal	2,092,554,736.08			145,963,325.70	4,938,830.88		20,735,166.94			2,222,721,725.72	2,567,098.80
Total	2,092,554,736.08			145,963,325.70	4,938,830.88		20,735,166.94			2,222,721,725.72	2,567,098.80

16.4. Operating revenue and cost of sales

Monetary Unit: CNY

Item	Current Period		Previous Period	
	Revenue	Cost of sales	Revenue	Cost of sales

Primary business	4,860,840,693.18	3,494,170,203.81	3,325,711,704.83	2,268,801,347.29
Other business	25,969,729.09	24,717.35	35,593,034.44	103,324.95
Total	4,886,810,422.27	3,494,194,921.16	3,361,304,739.27	2,268,904,672.24

Whether the Company has implemented the new revenue standards

Yes No

16.5. Investment income

Monetary Unit: CNY

Item	Current Period	Previous Period
Investment income from long-term equity investments under cost method	4,042,151,515.27	2,015,909,035.78
Investment income from long-term equity investments under equity method	145,963,325.70	88,881,022.50
Investment income gained during the period of holding other equity instrument investment	8,748,669.71	9,112,541.00
Total	4,196,863,510.68	2,113,902,599.28

17. Supplementary information

17.1. Detailed statement of extraordinary gain and loss in the current period (+ for gain, - for loss)

Applicable N/A

Monetary Unit: CNY

Item	Amount	Remark
Gains or losses on disposal non-current assets	23,211,482.49	For details please see Note 5.38, 5.39, 5.40.
Government grants included into current profits and losses (other than government grants closely related to enterprise business and granted by quota or quantity according to national unified standard)	43,969,302.07	For details please see Note 5.34.
Other non-operating income and costs other than above items	-11,510,048.21	For details please see Note 5.39, 5.40.
Less: Impact from income tax	13,076,295.35	
Impact from non-controlling shareholders' equity	1,522,350.06	

Total	41,072,090.94	--
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Statement for extraordinary gain and loss items that the Company defines according to the definition in “*Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss*” and definition of recurrent gain and loss items that are listed as extraordinary gain and loss in the “*Explanatory Announcement of Information Disclosure of Company that Issues Securities publicly NO.1- Extraordinary Gain and Loss*”:

Applicable N/A

17.2. Return on equity and earnings per share

Profit during reporting period	Weighted average ROE	EPS(CNY/Share)	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	25.50%	3.17	3.17
Net profits attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss	25.28%	3.14	3.14

Section XIII Documents Available for Preference

1. Financial statements signed and stamped by the legal representative, person in charge of accounting affairs and person in charge of accounting department;
2. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
3. The originals of all company documents and announcements that are disclosed on the public website designated by CSRC during the reporting period.