



**Yantai Changyu Pioneer Wine Co., Ltd.**

**2019 the First Quarter Report**

**2019-Final 02**

**April 2019**

## **I. Important Notice**

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

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

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

## II、Corporate Information

### 1. Key accounting data and financial indicators

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

Yes  No

| Item  | This report period            | The same period of last year | More or less than the same period of last year (%) |
|---|-------------------------------|------------------------------|--|
| Operating revenue (CNY)   | 1, 667, 424, 758              | 1, 804, 057, 976             | -7. 57%  |
| Net profit attributed to the shareholders of the listed company (CNY)   | 456, 381, 471                 | 479, 444, 238                | -4. 81%  |
| Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY) | 450, 709, 661                 | 466, 181, 564                | -3. 32%  |
| Net cash flows from the operating activities (CNY)  | 294, 678, 342                 | 507, 263, 964                | -41. 91%   |
| Basic earnings per share (CNY)  | 0. 67                         | 0. 70                        | -4. 29%  |
| Diluted earnings per share (CNY)  | 0. 67                         | 0. 70                        | -4. 29%  |
| Weighted average for earning rate of the net assets   | 4. 75%                        | 5. 24%                       | -0. 49%  |
|   | The end of this report period | The end of last year         | More or less than the end of last year (%)         |
| Total assets (CNY)  | 13, 317, 351, 339             | 13, 117, 729, 052            | 1. 52%   |
| Net Assets attributed to the shareholders of the listed company (CNY)   | 10, 055, 194, 755             | 9, 606, 099, 365             | 4. 68%   |

Details of irregular profit and loss

Yes  No

Unit: CNY

| Item   | From beginning of year to end of report period | Explanation |
|--|--|-------------|
| Gain on disposal of non-current assets, including the reversal of accrued impairment provision   | 1, 138   |             |
| Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation) | 6, 172, 178                                    |             |

|   |             |    |
|---|-------------|----|
| Other non-operating income and expenses | 1, 259, 563 |    |
| Less: Income tax effect                 | 1, 741, 770 |    |
| Minority interests effect(after-tax)    | 19, 299     |    |
| Total                                   | 5, 671, 810 | -- |

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

Available  Not available

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

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

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

Unit: share

| Total number of common shareholders at the end of report period      | 45, 104                               | Total number of preferred shareholders with recovered voting power at the end of report period |               | 0                           |                   |   |
|--|---------------------------------------|--|---------------|-----------------------------|-------------------|---|
| Shareholding of top 10 shareholders                                  |                                       |  |               |                             |                   |   |
| Name of Shareholders   | Character of shareholders             | Percentage (%)   | Shares held   | Number of restricted shares | Pledged or frozen |   |
|  |                                       |  |               | Share status                | Amount            |   |
| YANTAI CHANGYU GROUP COMPANY LIMITED                                 | Domestic non-state-owned legal person | 50. 40%  | 345, 473, 856 | 0                           |                   | 0 |
| GAOLING FUND,L.P.  | Foreign legal person                  | 3. 08%   | 21, 090, 219  | 0                           |                   | 0 |
| CHINA SECURITIES FINANCE CORP  | State-owned legal person              | 2. 25%   | 15, 440, 794  | 0                           |                   |   |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD                             | Foreign legal person                  | 2. 22%   | 15, 241, 826  | 0                           |                   | 0 |
| SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED                        | Foreign legal person                  | 1. 24%   | 8, 492, 763   | 0                           |                   | 0 |
| FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND | Foreign legal person                  | 0. 93%   | 6, 350, 762   | 0                           |                   | 0 |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED                            | Foreign legal person                  | 0. 80%   | 5, 516, 796   | 0                           |                   | 0 |
| CENTRAL HUIJIN ASSET MANAGEMENT LTD.                                 | State-owned legal person              | 0. 69%   | 4, 761, 200   | 0                           |                   | 0 |

| VANGUARD EMERGING MARKETS STOCK INDEX FUND   | Foreign legal person  | 0.55%         | 3,788,487     | 0             | 0      |
|--|---|---------------|---------------|---------------|--------|
| FIDELITY CHINA SPECIAL SITUATIONS PLC  | Foreign legal person  | 0.55%         | 3,779,202     | 0             | 0      |
| Shareholding of top 10 shareholders with unrestricted shares   |   |               |               |               |        |
| Name of Shareholders   | Number of unrestricted shares held  | Type of share |               | Type of share | Amount |
|  |   | Type of share | Type of share |               |        |
| YANTAI CHANGYU GROUP COMPANY LIMITED   | 345,473,856   | A share       |               | 345,473,856   |        |
| GAOLING FUND,L.P.  | 21,090,219  | B share       |               | 21,090,219    |        |
| CHINA SECURITIES FINANCE CORP  | 15,440,794  | A share       |               | 15,440,794    |        |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD   | 15,241,826  | B share       |               | 15,241,826    |        |
| SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED  | 8,492,763   | B share       |               | 8,492,763     |        |
| FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND   | 6,350,762   | B share       |               | 6,350,762     |        |
| GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED   | 5,516,796   | B share       |               | 5,516,796     |        |
| CENTRAL HUIJIN ASSET MANAGEMENT LTD.   | 4,761,200   | A share       |               | 4,761,200     |        |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND   | 3,788,487   | B share       |               | 3,788,487     |        |
| FIDELITY CHINA SPECIAL SITUATIONS PLC  | 3,779,202   | B share       |               | 3,779,202     |        |
| The explanation for the associated relationship and accordant action of the top 10 shareholders                        | Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown. |               |               |               |        |
| Explanation for the top 10 common shareholders who involved in financing activities and stock trading business(if any) | No  |               |               |               |        |

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

Yes  No

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

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

Available  Not available

### III Major Issue

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

Available  Not available

Compared the end of the report period with the beginning of the report period: Monetary fund increased by 14.28%, mainly due to the reduce in cash outflow for investment activities and increase in bank deposit. Notes receivable increased by 64.09%, mainly due to increased amount of bank acceptances. Advance payment decreased by 55.58%, mainly due to the decrease in advance payment for raw material procurement. Interest receivable increased by 39.65%, mainly due to the increased interest of bank term deposits. Non-current liabilities due within one year increased by 21.39%, mainly due to the transfer of long-term account payable.

Compared with the same period of last year: operating revenue decreased by 7.57%, which was caused by four reasons. Firstly, in order to implement the strategy of “Focus on high quality, Focus on mid-to-high end and Focus on big product”, the prices of low-end wines were raised at the end of November 2018. Due to the pressure-bearing process of the market, the low-end wines have fallen sharply. Secondly, due to aging of products as well as relatively concentrated markets, the low-end brandy has shown a downward trend since last year. However, the growth of mid-to-high-end brandy is not enough to make up for the decline of low-end brandy. Thirdly, the sales policy of imported wines has further focused on the acquisition brands including Kilikanoon and Indomita etc, which results in a decline in non-acquisition brands in imported wines and drags down the overall growth of imported wines. Fourthly, listed company adjusted about 20% of provincial managers and marketing personnel in February, which also had a certain impact on current indicators.

Compared with the same period of last year: sales expense decreased by 14.9%, mainly due to decrease in advertising expense. Financial expense decreased by 156.04%, mainly due to offset of financial expense by received loan with discounted interest. Net profit attributable to parent company decreased by 4.81%, mainly due to decrease in income. Net cash flow from operating activities decreased by 41.91%, mainly due to reduce in received cash of selling products and providing service. Cash inflow from investment activities increased by 9064.93%, mainly due to increase in withdrawal of fixed term deposit. Cash outflow for investment activities decreased by 73.86% and net cash flow from investment activities increased by 79.14%, mainly due to the reduce in the cash paid for purchasing fixed term deposit. Net increase in cash and cash equivalents increased by 24149.03%, mainly due to reduce in cash outflow for investment activities.

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

Available  Not available

Implementation progress of share repurchase

Available  Not available

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

Available  Not available

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

Available  Not available

| Commitments   | Commitment Party               | Commitment Type                     | Commitment content   | Commitment time | Commitment period | Implementation   |
|---|--------------------------------|-------------------------------------|--|-----------------|-------------------|--|
| Commitments at share reform                                     | -                              |                                     | -  |                 |                   |  |
| Commitments made in acquisition report or equity changes report | -                              |                                     | -  |                 | -                 | -  |
| Commitments at asset restructuring                              | -                              |                                     | -  |                 | -                 | -  |
| Commitments at the initial public offering or refinancing       | Yantai Changyu Group Co., Ltd. | Solve horizontal competition        | Non-horizontal competition   | 1997.05.18      | Permanent         | Has been fulfilling the commitment   |
|   | Yantai Changyu Group Co., Ltd. | Define the use of trademark use fee | According to <i>Trademark License Contract</i> , the annual trademark use fee of trademarks including “张裕” (Changyu) paid by the Company to Yantai Changyu Group Co., Ltd. should be mainly used by Yantai Changyu Group Co., Ltd. to publicize trademarks | 1997.05.18      | Permanent         | According to <i>Trademark License Contract</i> , the annual trademark use fee charged by Yantai Changyu Group Co., Ltd. should be mainly used to publicize trademarks including “张裕” (Changyu) and contractual products. Except the period from 2013 to 2017 when Yantai |

|   |   |  |   |   |  |
|---|---|--|---|---|--|
|   |   | including “张裕” (Changyu) and contractual products. |   |   | Changyu Group Co., Ltd. didn't strictly fulfill the commitment, Yantai Changyu Group Co., Ltd. has been fulfilling the commitment. |
| Equity incentive commitments  |   |  |   |   |  |
| Commitments made to the minority shareholders of the Company  | -   | -  | - | - | -  |
| Commitment under timely implementation or not   | No  |  |   |   |  |
| For commitments that exceed the time limit and are not completed, specific reasons of not completing the implementation and the next step | <p>According to <i>Trademark License Contract</i> (hereafter referred to as “this Contract”), Changyu Group promised that the annual trademark use fee paid by the Company to Changyu Group would be mainly used by Changyu Group to publicize these trademarks and contractual products. However, the above-mentioned "mainly" is not a specific number. During the implementation process, due to inconsistent understanding, it is easy to cause divergence and leads to problems.</p> <p>Changyu Group totally charged trademark use fee of CNY420,883,902 from 2013 to 2017. Based on this Contract, the amount (51% of trademark use fee) used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract should be CNY214,650,790, compared to which, the amount that has already been used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract is CNY50,025,181 with a balance of CNY164,625,609. In addition, Changyu Group totally charged 2017 annual and 2018 annual trademark use fee of CNY155,623,907 in 2018 and 2019. Based on This Contract, the amount (51% of trademark use fee) used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract should be CNY79,368,193, compared to which, the amount that has already been used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in This Contract is CNY12,225,187 with a balance of CNY67,143,006.</p> <p>From 2013 to now, the total balance of trademark use fee used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract is CNY231,768,615.</p> <p>Changyu Group promised that Changyu Group would use the trademark use fee that would be charged for 2019 annual to 2022 annual to offset above-mentioned total balance. If it is not enough, the insufficient amount will be complemented for one time in 2023; if it is sufficient, Changyu Group will</p> |  |   |   |  |

begin to charge the excess trademark use fee from the year when there generates excess trademark use fee.  
If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc in order to implement the commitment. For detailed information, please refer to the Company's *Announcement of Commitment Issues of Yantai Changyu Group Co., Ltd* disclosed on April 4<sup>th</sup>, 2019.

#### **4. Forecast on the operating performance in the period from January to June of 2019**

Warning and explanation for the estimation on the possible loss of cumulative net profit in the period from the beginning of this year to the end of the next report period or the great change comparing with same period of last year.

Available  Not available

#### **5. Situation of security investment**

Available  Not available

There is no security investment during the report period.

#### **6. Situation of derivative investment**

Available  Not available

There is no derivative investment during the report period.

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

Available  Not available

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

#### **8. Situation of illegal external guarantee**

Available  Not available

There is no illegal external guarantee during the report period.

#### **9. Situation of non-operating fund occupation of controlling shareholders and related parties**

Available  Not available

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

## IV Financial Statements

### 1. Financial statements

#### 1) Consolidated balance sheet

Preparation Unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: CNY

| Item  | March 31 <sup>st</sup> , 2019 | December 31 <sup>st</sup> , 2018 |
|---|-------------------------------|----------------------------------|
| Current assets:   |                               |                                  |
| Monetary fund   | 1,686,467,643                 | 1,475,700,477                    |
| Settlement funds  |                               |                                  |
| Trading financial assets  |                               |                                  |
| Financial assets which are measured by fair value and which changes are recorded in current profit and loss |                               |                                  |
| Derivative financial liability  |                               |                                  |
| Notes receivable and accounts receivable  | 712,241,039                   | 530,821,071                      |
| Including: Notes receivable   | 473,671,893                   | 288,667,988                      |
| Accounts receivable   | 238,569,146                   | 242,153,083                      |
| Advance payment   | 1,874,421                     | 4,219,949                        |
| Insurance premiums receivable   |                               |                                  |
| Provision of cession receivable   |                               |                                  |
| Other receivable  | 21,954,602                    | 22,636,086                       |
| Including: Interests receivable   | 1,861,068                     | 1,332,681                        |
| Dividends receivable  |                               |                                  |
| Inventories   | 2,562,649,190                 | 2,724,591,457                    |
| Assets held for sale  |                               |                                  |
| Non-current assets due within one year  |                               |                                  |
| Other current assets  | 277,964,944                   | 258,676,396                      |
| Total current assets  | 5,263,151,839                 | 5,016,645,436                    |
| Non-current assets:   |                               |                                  |
| Financial assets for sale   |                               | 467,251                          |
| Investment held to expiration   |                               |                                  |
| Long-term account receivable  |                               |                                  |
| Long-term equity investment   |                               |                                  |
| Real estate for investment  | 31,183,889                    | 31,572,489                       |
| Fixed assets  | 5,735,574,387                 | 5,749,731,667                    |
| Construction in progress  | 765,770,394                   | 759,296,591                      |
| Biological assets for production  | 207,109,664                   | 209,266,373                      |
| Oil and gas assets  |                               |                                  |
| Intangible assets   | 649,996,533                   | 655,473,459                      |
| Development expenditure   |                               |                                  |

|  |                |                |
|--|----------------|----------------|
| Goodwill   | 165,199,111    | 165,199,111    |
| Long-term deferred expenses  | 276,110,331    | 244,640,416    |
| Assets of deferred income tax  | 222,801,549    | 285,436,259    |
| Other non-current assets   | 453,642        |                |
| Total non-current assets   | 8,054,199,500  | 8,101,083,616  |
| Total assets   | 13,317,351,339 | 13,117,729,052 |
| Current liabilities:   |                |                |
| Short-term loan  | 676,078,947    | 688,002,410    |
| Financial liabilities which are measured by fair value and which changes are recorded in current profit and loss |                |                |
| Derivative financial liability   |                |                |
| Notes payable and accounts payable   | 595,555,189    | 713,572,881    |
| Advance money  | 232,110,538    | 226,075,244    |
| Wage payable   | 171,926,352    | 212,304,217    |
| Tax payable  | 100,575,817    | 128,912,790    |
| Other accounts payable   | 530,951,517    | 608,479,890    |
| Including: Interests payable   | 2,017,538      | 712,826        |
| Dividends payable  |                |                |
| Liabilities held for sale  |                |                |
| Non-current liabilities due within one year  | 185,654,332    | 152,940,788    |
| Other current liabilities  | 14,545,254     | 15,860,254     |
| Total current liabilities  | 2,507,397,946  | 2,746,148,474  |
| Non-current liabilities:   |                |                |
| Long-term loan   | 172,989,751    | 156,480,662    |
| Bond payable   |                |                |
| Including: Preferred stock   |                |                |
| Perpetual capital securities   |                |                |
| Long-term accounts payable   | 203,000,000    | 225,000,000    |
| Long-term wages payable  |                |                |
| Special accounts payable   |                |                |
| Deferred income  | 67,915,609     | 70,367,039     |
| Liabilities of deferred income tax   | 21,290,654     | 22,010,647     |
| Other non-current liabilities  | 7,234,853      | 7,234,853      |
| Total non-current liabilities  | 472,430,867    | 481,093,201    |
| Total liabilities  | 2,979,828,813  | 3,227,241,675  |
| Shareholder rights and interests:  |                |                |
| Share capital  | 685,464,000    | 685,464,000    |
| Other equity instrument  |                |                |
| Including: Preferred stock   |                |                |
| Perpetual capital securities   |                |                |
| Capital reserve  | 565,955,441    | 565,955,441    |
| Less: Inventory shares   |                |                |

|   |                |                |
|---|----------------|----------------|
| Other comprehensive Income                          | -4,320,704     | 2,965,377      |
| Reasonable reserve                                  |                |                |
| Surplus reserve                                     | 342,732,000    | 342,732,000    |
| Retained profit                                     | 8,465,364,018  | 8,008,982,547  |
| Total owner's equity attributable to parent company | 10,055,194,755 | 9,606,099,365  |
| Minority interests                                  | 282,327,771    | 284,388,012    |
| Total owner's equity                                | 10,337,522,526 | 9,890,487,377  |
| Total liabilities and owner's equity                | 13,317,351,339 | 13,117,729,052 |

Legal representative: Zhou Hongjiang Person in charge of accounting: Jiang Jianxun Person in charge of accounting organ: Jiang Jianxun

**2) Balance sheet of parent company**

Unit: CNY

| Item  | March 31 <sup>st</sup> , 2019 | December 31 <sup>st</sup> , 2018 |
|---|-------------------------------|----------------------------------|
| <b>Current assets:</b>  |                               |                                  |
| Monetary fund   | 898,617,027                   | 624,588,809                      |
| Financial assets which are measured by fair value and which changes are recorded in current profit and loss |                               |                                  |
| Derivative financial liability  |                               |                                  |
| Notes receivable and accounts receivable  | 53,248,347                    | 41,333,227                       |
| Including: Notes receivable   | 52,028,187                    | 39,885,254                       |
| Accounts receivable   | 1,220,160                     | 1,447,973                        |
| Advance money   | 121,922                       | 227                              |
| Other receivable  | 529,375,393                   | 1,025,643,356                    |
| Including: Interests receivable   | 506,337                       | 254,088                          |
| Dividends receivable  | 152,136,162                   | 500,000,000                      |
| Inventories   | 450,274,793                   | 385,154,740                      |
| Assets held for sale  |                               |                                  |
| Non-current assets due within one year  |                               |                                  |
| Other current assets  | 28,853,540                    | 24,704,844                       |
| <b>Total current assets</b>   | <b>1,960,491,022</b>          | <b>2,101,425,203</b>             |
| <b>Non-current assets:</b>  |                               |                                  |
| Financial assets for sale   |                               |                                  |
| Investment held to expiration   |                               |                                  |
| Long-term account receivable  |                               |                                  |
| Long-term equity investment   | 7,420,803,068                 | 7,420,803,069                    |
| Real estate for investment  | 31,183,889                    | 31,572,489                       |
| fixed assets  | 265,196,149                   | 265,311,274                      |
| Construction in progress  | 7,129,202                     | 6,311,701                        |
| Biological assets for production  | 123,016,068                   | 125,002,793                      |
| Oil and gas assets  |                               |                                  |
| Intangible assets   | 66,649,278                    | 67,244,066                       |
| Development expenditure   |                               |                                  |
| Goodwill  |                               |                                  |
| Long-term deferred expenses   |                               |                                  |
| Assets of deferred income tax   | 20,799,602                    | 24,194,967                       |
| Other non-current assets  | 985,700,000                   | 972,700,000                      |
| <b>Total non-current assets</b>   | <b>8,920,477,256</b>          | <b>8,913,140,359</b>             |
| <b>Total assets</b>   | <b>10,880,968,278</b>         | <b>11,014,565,562</b>            |
| <b>Current liabilities:</b>   |                               |                                  |
| Short-term loan   | 150,000,000                   | 150,000,000                      |

|  |                |                |
|--|----------------|----------------|
| Financial liabilities which are measured by fair value and which changes are recorded in current profit and loss |                |                |
| Derivative financial liability   |                |                |
| Notes payable and accounts payable   | 102,401,642    | 132,704,304    |
| Advance money  |                |                |
| Wage payable   | 62,212,233     | 72,345,179     |
| Tax payable  | 2,552,051      | 13,111,431     |
| Other accounts payable   | 522,292,133    | 607,974,519    |
| Including: Interests payable   | 181,250        | 181,250        |
| Dividends payable  |                |                |
| Liabilities held for sale  |                |                |
| Non-current liabilities due within one year  |                |                |
| Other current liabilities  | 3,433,054      | 3,433,054      |
| Total current liabilities  | 842,891,113    | 979,568,487    |
| Non-current liabilities:   |                |                |
| Long-term loan   |                | -              |
| Bond payable   |                |                |
| Including: Preferred stock   |                |                |
| Perpetual capital securities   |                |                |
| Long-term accounts payable   |                |                |
| Long-term wages payable  |                |                |
| Special accounts payable   |                |                |
| Deferred income  | 8,318,053      | 8,910,918      |
| Liabilities of deferred income tax   |                |                |
| Other non-current liabilities  | 2,710,575      | 2,710,575      |
| Total non-current liabilities  | 11,028,628     | 11,621,493     |
| Total liabilities  | 853,919,741    | 991,189,980    |
| Shareholder rights and interests:  |                |                |
| Share capital  | 685,464,000    | 685,464,000    |
| Other equity instrument  |                |                |
| Including: Preferred stock   |                |                |
| Perpetual capital securities   |                |                |
| Capital reserve  | 557,222,454    | 557,222,454    |
| Less: Inventory shares   |                |                |
| Other comprehensive Income   |                |                |
| Reasonable reserve   |                |                |
| Surplus reserve  | 342,732,000    | 342,732,000    |
| Retained profit  | 8,441,630,083  | 8,437,957,128  |
| Total owner's equity   | 10,027,048,537 | 10,023,375,582 |
| Total liabilities and owner's equity   | 10,880,968,278 | 11,014,565,562 |

### 3) Consolidated profit statement

Unit: CNY

| Item   | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| 1. Revenue   | 1,667,424,758                     | 1,804,057,976                      |
| Including: Operating income  | 1,667,424,758                     | 1,804,057,976                      |
| Interest income  |                                   |                                    |
| Earned premium   |                                   |                                    |
| Handling fees and commission income                                      |                                   |                                    |
| 2. Total operating costs   | 1,061,511,440                     | 1,184,474,700                      |
| Including: Operating costs   | 601,688,193                       | 625,431,208                        |
| Interest expenditure   |                                   |                                    |
| Handling fees and commission expenditure                                 |                                   |                                    |
| Premium rebate   |                                   |                                    |
| Net amount of indemnity expenditure                                      |                                   |                                    |
| Net amount of insurance contract reserve fund withdrawal                 |                                   |                                    |
| Policy bonus payment   |                                   |                                    |
| Amortized reinsurance expenditures                                       |                                   |                                    |
| Taxes and surcharges   | 67,002,049                        | 101,766,053                        |
| Selling expenses   | 318,512,447                       | 374,283,098                        |
| Administrative expenses  | 81,023,493                        | 80,493,010                         |
| Research and development expenditure                                     | 990,219                           | 1,120,457                          |
| Financial expenses   | -2,640,255                        | 4,711,493                          |
| Including: Interest expenses   | 1,827,791                         | 6,578,902                          |
| Interest income  | 2,420,094                         | 2,272,889                          |
| Loss for impairment of assets  | -5,064,706                        | -3,330,619                         |
| Loss of credit impairment  |                                   |                                    |
| Plus: Other income   | 6,172,178                         | 16,861,473                         |
| Investment profit (loss is listed with "-")                              |                                   |                                    |
| Including: Investment profit for joint-run business and joint venture    |                                   |                                    |
| Net exposure hedging income (Loss is listed with "-")                    |                                   |                                    |
| Fair value charge profit (loss is listed with "-")                       |                                   |                                    |
| Assets disposal income (loss is listed with "-")                         | 1,138                             | 84,719                             |
| Exchange income (loss is listed with "-")                                |                                   |                                    |
| 3. Operating profit (loss is listed with "-")                            | 612,086,634                       | 636,529,468                        |
| Plus: Non-operating income   | 1,262,992                         | 936,426                            |
| Minus: Non-operating expenditure   | 3,429                             | 411,037                            |
| 4. Total profits (total loss is listed with "-")                         | 613,346,197                       | 637,054,857                        |
| Minus: Income taxes  | 157,428,397                       | 158,539,458                        |
| 5. Net profit (net loss is listed with "-")                              | 455,917,800                       | 478,515,399                        |
| (一) Classification by continuous operation                               |                                   |                                    |
| 1. Net profit from continuous operation (net loss is listed with "-")    | 455,917,800                       | 478,515,399                        |
| 2. Net profit from terminational operation (net loss is listed with "-") |                                   |                                    |

|  |             |             |
|--|-------------|-------------|
| (二)Classification by ownership   |             |             |
| 1. Minority interests  | -463,671    | -928,839    |
| 2. Net profits attribute to equity holders of the company  | 456,381,471 | 479,444,238 |
| 6. Net value of other comprehensive income after tax   | -8,882,651  | -6,819,043  |
| 6.1 Net value of other comprehensive income after tax of holding company's owners                        | -7,286,081  | -5,547,374  |
| 6.1.1 Other comprehensive income that will not be classified into the profit and loss                    |             |             |
| 6.1.1.1 Changes of the defined benefit plans that re-measured  |             |             |
| 6.1.1.2 Other comprehensive income under equity method that cannot be transfer to gain/loss              |             |             |
| 6.1.1.3 Change of fair value of investment in other equity instrument                                    |             |             |
| 6.1.1.4 Fair value change of enterprise's credit risk  |             |             |
| 6.1.1.5 Other  |             |             |
| 6.1.2 Other comprehensive income that will be classified into the profit and loss                        | -7,286,081  | -5,547,374  |
| 6.1.2.1 Other comprehensive income under equity method that can transfer to gain/loss                    |             |             |
| 6.1.2.2 Change of fair value of other debt investment  |             |             |
| 6.1.2.3 gain/loss of fair value changes for available-for-sale financial assets                          |             |             |
| 6.1.2.4 Amount of financial assets re-classify to other comprehensive income                             |             |             |
| 6.1.2.5 Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset |             |             |
| 6.1.2.6 Credit impairment provision for other debt investment  |             |             |
| 6.1.2.7 Cash flow hedging reserve  |             |             |
| 6.1.2.8 Translation differences arising on translation of foreign currency financial statements          | -7,286,081  | -5,547,374  |
| 6.1.2.9 Other  |             |             |
| 6.2 Net value of other comprehensive income after tax of minority shareholders                           | -1,596,570  | -1,271,669  |
| 7. Total comprehensive Income  | 447,035,149 | 471,696,356 |
| Total comprehensive income of holding company  | 449,095,390 | 473,896,864 |
| Total comprehensive income of minority shareholders  | -2,060,241  | -2,200,508  |
| 8. Earnings per share  |             |             |
| 8.1 Basic earnings per share   | 0.67        | 0.70        |
| 8.2 Diluted earnings per share   | 0.67        | 0.70        |

During this report period, the issue relates to company consolidation under common control, consolidated party completes net profit amount of CNY 0 before being consolidated, and consolidated party completes net profit amount of CNY 0 in the same period of last year.

Legal representative: Zhou Hongjiang Person in charge of accounting: Jiang Jianxun Person in charge of accounting organ: Jiang Jianxun

**4) Profit statement of parent company**

Unit: CNY

| Item   | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| 1. Revenue   | 242,003,808                       | 262,548,732                        |
| Minus: Operating costs   | 213,607,081                       | 223,847,815                        |
| Taxes and surcharges   | 8,712,074                         | 14,257,566                         |
| Selling expenses   |                                   |                                    |
| Administrative expenses  | 20,122,062                        | 20,301,162                         |
| Research and development expenditure   | 219,892                           | 208,742                            |
| Financial expenses   | -4,343,667                        | 5,548,315                          |
| Including: Interest expenses   | -4,311,896                        | 5,872,648                          |
| Interest income  | 489,663                           | 975,383                            |
| Loss for impairment of assets  |                                   |                                    |
| Loss of credit impairment  |                                   |                                    |
| Plus: Other income   | 858,264                           | 1,059,414                          |
| Investment profit (loss is listed with "-")  |                                   | 20,000,000                         |
| Including: Investment profit for joint-run business and joint venture  |                                   |                                    |
| Net exposure hedging income (Loss is listed with "-")  |                                   |                                    |
| Fair value charge profit (loss is listed with "-")   |                                   |                                    |
| Assets disposal income (loss is listed with "-")   |                                   | 75,000                             |
| 2. Operating profit (loss is listed with "-")  | 4,544,630                         | 19,519,546                         |
| Plus: Non-operating income   | 539,265                           | 47,479                             |
| Minus: Non-operating expenses  |                                   |                                    |
| 3. Total profits (total loss is listed with "-")   | 5,083,895                         | 19,567,025                         |
| Minus: Income tax  | 1,410,940                         | 23,498                             |
| 4. Net profit (net loss is listed with "-")  | 3,672,955                         | 19,543,527                         |
| 1. Net profit from continuous operation (net loss is listed with "-")  | 3,672,955                         | 19,543,527                         |
| 2. Net profit from terminational operation (net loss is listed with "-")   |                                   |                                    |
| 5. Net value of other comprehensive income after tax   |                                   |                                    |
| 5.1 Other comprehensive income that will not be classified into the profit and loss  |                                   |                                    |
| 5.1.1 Remeasure the changes in net assets or liabilities of defined benefit plans  |                                   |                                    |
| 5.1.2 Shares of other comprehensive income from investee which cannot be reclassified into profit and loss under the equity method |                                   |                                    |
| 5.1.3 Change of fair value of investment in other equity instrument  |                                   |                                    |
| 5.1.4 Fair value change of enterprise's credit risk  |                                   |                                    |
| 5.1.5 Other  |                                   |                                    |
| 5.2 Other comprehensive income that will be classified   |                                   |                                    |

|  |           |            |
|--|-----------|------------|
| into the profit and loss   |           |            |
| 5.2.1 Other comprehensive income under equity method that can transfer to gain/loss                    |           |            |
| 5.2.2 Change of fair value of other debt investment  |           |            |
| 5.2.3 gain/loss of fair value changes for available-for-sale financial assets                          |           |            |
| 5.2.4 Amount of financial assets re-classify to other comprehensive income                             |           |            |
| 5.2.5 Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset |           |            |
| 5.2.6 Credit impairment provision for other debt investments   |           |            |
| 5.2.7 Cash flow hedging reserve  |           |            |
| 5.2.8 Translation differences arising on translation of foreign currency financial statements          |           |            |
| 5.2.9 Other  |           |            |
| 6. Total comprehensive income  | 3,672,955 | 19,543,527 |
| 7. Earnings per share  |           |            |
| 7.1 Basic earnings per share   | 0.01      | 0.03       |
| 7.2 Diluted earnings per share   | 0.01      | 0.03       |

**5) Consolidated cash flow statement**

Unit: CNY

| Item   | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| <b>1. Cash flows from operating activities:</b>  |                                   |                                    |
| Cash received from sales of goods and rendering of services  | 1,542,378,382                     | 1,766,530,391                      |
| Net increase in customer and interbank deposits  |                                   |                                    |
| Net increase in borrowings from central bank   |                                   |                                    |
| Net increase in borrowings from other financial institutions   |                                   |                                    |
| Cash received from receiving insurance premium of original insurance contract  |                                   |                                    |
| Net cash received from reinsurance business  |                                   |                                    |
| Net increase of deposit of insured and investment fund   |                                   |                                    |
| Net increase in disposing of financial assets that measured by fair value with changes recorded into the current profit and loss |                                   |                                    |
| Cash received from collecting interest, handling fees and commission   |                                   |                                    |
| Net increase in borrowings   |                                   |                                    |
| Net increase in repurchasement business funds  |                                   |                                    |
| Tax refund received  | 9,948,082                         | 6,890,085                          |
| Other cash received related to operating activities  | 11,283,776                        | 18,289,974                         |
| <b>Sub-total of cash inflows of operating activities</b>   | <b>1,563,610,240</b>              | <b>1,791,710,450</b>               |
| Cash paid for goods and services   | 461,343,969                       | 418,799,244                        |
| Net increase in customer loans and advances  |                                   |                                    |
| Net increase in deposits in central bank and interbank deposits  |                                   |                                    |
| Cash paid to original insurance contract payments  |                                   |                                    |
| Cash paid to interest, handling fees and commission  |                                   |                                    |
| Cash paid to policy bonus  |                                   |                                    |
| Cash paid to and on behalf of employees  | 162,305,720                       | 152,403,775                        |
| Cash paid for taxes and expenses   | 401,268,381                       | 486,679,596                        |
| Other cash paid related to operating activities  | 244,013,828                       | 226,563,871                        |
| <b>Sub-total of cash outflows of operating activities</b>  | <b>1,268,931,898</b>              | <b>1,284,446,486</b>               |
| <b>Net cash flow from operating activities</b>   | <b>294,678,342</b>                | <b>507,263,964</b>                 |
| <b>2. Cash flow from investing activities:</b>   |                                   |                                    |
| Cash received from return of investment  | 0                                 |                                    |
| Cash received from return of fixed deposit   | 26,755,750                        |                                    |
| Cash received from obtaining investment profit   |                                   |                                    |
| Cash received from interest income   | 484,857                           | 35,723                             |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets  | 21,379                            | 261,737                            |
| Net cash received from disposal of branch and other business unit  |                                   |                                    |
| Other cash received related to investing activities  |                                   |                                    |
| <b>Subtotal of cash inflows of investment activities</b>   | <b>27,261,986</b>                 | <b>297,460</b>                     |

|   |               |               |
|---|---------------|---------------|
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 114,280,901   | 110,862,244   |
| Cash for investments  |               |               |
| Cash paid for fixed deposit   | 20,458,100    | 300,000,000   |
| Net cash received from disposal of branch and other business unit               |               |               |
| Net cash paid to acquire branch and other business unit                         |               | 104,566,419   |
| Other cash paid related to investment activities                                |               |               |
| Subtotal of cash outflows of investment activities                              | 134,739,001   | 515,428,663   |
| Net cash flow from investing activities   | -107,477,015  | -515,131,203  |
| <b>3. Cash flow from financing activities</b>                                   |               |               |
| Cash received from acquiring investment   |               |               |
| Cash received from acquiring minority shareholders' investment by branch        |               |               |
| Cash received from acquiring loans  | 78,214,913    | 96,644,015    |
| Cash received from issuing bonds  |               |               |
| Other cash received related to financing activities                             |               |               |
| Sub-total cash inflows of financing activities                                  | 78,214,913    | 96,644,015    |
| Cash paid to repay debts  | 64,904,847    | 79,119,513    |
| Cash paid to distribute dividend, profit or pay interest                        | 8,203,612     | 8,294,731     |
| Dividend and profit paid to minority shareholders by branch                     |               |               |
| Other cash paid related to financing activities                                 |               |               |
| Sub-total of cash outflows of financing activities                              | 73,108,459    | 87,414,244    |
| Net cash flow from financing activities   | 5,106,454     | 9,229,771     |
| <b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>  | -468,104      | -571,409      |
| <b>5. Net Increase of cash and cash equivalents</b>                             | 191,839,677   | 791,123       |
| Plus: balance at the beginning of the period of cash and cash equivalents       | 1,206,860,334 | 1,180,889,274 |
| <b>6. Balance at the end of the period of cash and cash equivalents</b>         | 1,398,700,011 | 1,181,680,397 |

**6) Cash flow statement of parent company**

Unit: CNY

| Item  | Amount incurred in current period | Amount incurred in previous period |
|---|-----------------------------------|------------------------------------|
| <b>1. Cash flows from operating activities:</b>   |                                   |                                    |
| Cash received from sales of goods and rendering of services                               | 171,139,612                       | 156,753,252                        |
| Tax refund received   |                                   |                                    |
| Other cash received related to operating activities                                       | 13,968,773                        | 42,356,221                         |
| Sub-total of cash inflows of operating activities   | 185,108,385                       | 199,109,473                        |
| Cash paid for goods and services  | 115,043,734                       | 83,858,780                         |
| Cash paid to and on behalf of employees   | 28,667,432                        | 35,076,108                         |
| Cash paid for taxes and expenses  | 17,016,423                        | 27,242,412                         |
| Other cash paid related to operating activities   | 75,568,493                        | 13,004,908                         |
| Sub-total of cash outflows of operating activities  | 236,296,082                       | 159,182,208                        |
| Net cash flow from operating activities   | -51,187,697                       | 39,927,265                         |
| <b>2. Cash flow from investing activities:</b>  |                                   |                                    |
| Cash received from return of investment   |                                   |                                    |
| Fixed deposit with the term of over 3 months  |                                   |                                    |
| Cash received from obtaining investment profit  | 347,863,838                       | 140,000,000                        |
| Cash received from interest income  |                                   | 35,723                             |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets |                                   | 538,055                            |
| Net cash received from disposal of branch and other business unit                         |                                   |                                    |
| Other cash received related to investing activities                                       |                                   |                                    |
| Sub-total of cash inflows of investment activities  | 347,863,838                       | 140,573,778                        |
| Cash paid to acquire fixed assets, intangible asset and other long-term assets            | 8,209,927                         | 8,617,593                          |
| Cash for investments  | 13,000,000                        | 105,926,184                        |
| Cash paid to acquire fixed deposit  | 12,200,000                        | 300,000,000                        |
| Net cash paid to acquire branch and other business unit                                   |                                   |                                    |
| Other cash paid related to investment activities  |                                   |                                    |
| Subtotal of cash outflows of investment activities  | 33,409,927                        | 414,543,777                        |
| Net cash flow from investing activities   | 314,453,911                       | -273,969,999                       |
| <b>3. Cash flow from financing activities</b>   |                                   |                                    |
| Cash received from acquiring investment   |                                   |                                    |
| Cash received from acquiring loans  |                                   |                                    |
| Cash received from issuing bonds  |                                   |                                    |
| Other cash received related to financing activities                                       |                                   |                                    |
| Sub-total cash inflows of financing activities  |                                   |                                    |
| Cash paid to repay debts  |                                   |                                    |
| Cash paid to distribute dividend, profit or pay interest                                  | 1,631,250                         | 5,872,500                          |
| Other cash paid related to financing activities   |                                   |                                    |
| Sub-total of cash outflows of financing activities  | 1,631,250                         | 5,872,500                          |
| Net cash flow from financing activities   | -1,631,250                        | -5,872,500                         |
| <b>4. Influences of exchange rate fluctuation on cash and cash equivalents</b>            |                                   |                                    |

|   |             |              |
|---|-------------|--------------|
| 5. Net Increase of cash and cash equivalents                              | 261,634,964 | -239,915,234 |
| Plus: balance at the beginning of the period of cash and cash equivalents | 532,384,882 | 493,568,866  |
| 6. Balance at the end of the period of cash and cash equivalents          | 794,019,846 | 253,653,632  |

## 2. Notes on financial statement adjustments

### 1) Relevant situations of adjustment in financial statement at the beginning of the year when the new financial instrument standards, new income standards and new lease standards are first implemented

Available  Not available

### 2) Explanation on retrospective adjustments in the previous comparison data for the first implementation of new financial instrument standards and new lease standards

Available  Not available

## 3. Audit report

Whether the first quarter report has been audited.

Yes  No

The first quarter report has not been audited.

**Yantai Changyu Pioneer Wine Co., Ltd.**  
**Board of Directors**  
**April 27<sup>th</sup> 2019**