



**ANHUI GUJING DISTILLERY COMPANY LIMITED**

**SEMI-ANNUAL FINANCIAL REPORT 2019**

**August 2019**

## I. Auditor's Report

Whether the interim report has been audited?

Yes  No

The interim report of the Company has not been audited.

## II. Financial Statements

The unit of the financial statements attached: RMB

### 1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

30 June 2019

Unit: RMB

Item	30 June 2019	31 December 2018
Current assets:		
Monetary capital	3,179,334,513.57	1,705,760,865.12
Settlement reserve		
Interbank loans granted		
Trading financial assets	1,573,596,291.10	0.00
Financial assets at fair value through profit or loss	0.00	622,892.96
Derivative financial assets		
Notes receivable	1,317,423,562.34	1,347,427,811.34
Accounts receivable	30,086,692.70	29,748,068.74
Financing backed by accounts receivable		
Prepayments	129,888,415.85	182,558,000.75
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	48,528,411.45	43,342,878.22
Including: Interest receivable	30,443,178.08	24,923,178.08
Dividends receivable		
Financial assets purchased under resale agreements		

Inventories	2,417,356,086.41	2,407,306,664.86
Contract assets		
Assets classified as held for sale		
Current portion of non-current assets	300,000,000.00	300,000,000.00
Other current assets	29,538,776.67	3,012,478,687.20
Total current assets	9,025,752,750.09	9,029,245,869.19
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Available-for-sale financial assets	0.00	206,393,107.46
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	4,735,005.81	4,900,000.00
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,868,657.29	5,027,228.53
Fixed assets	1,684,243,384.48	1,763,988,530.56
Construction in progress	162,876,312.37	93,320,557.56
Productive living assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	733,039,684.21	742,083,609.10
R&D expense		
Goodwill	478,283,495.29	478,283,495.29
Long-term prepaid expense	75,772,600.79	83,561,473.46
Deferred income tax assets	149,917,708.59	86,580,171.06
Other non-current assets	200,574,026.00	16,544,407.51
Total non-current assets	3,494,310,874.83	3,480,682,580.53
Total assets	12,520,063,624.92	12,509,928,449.72
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		

Interbank loans obtained		
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	476,808,340.53	349,203,413.72
Accounts payable	337,532,981.76	484,952,598.59
Advances from customers	517,109,674.60	1,149,143,310.48
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Payroll payable	310,846,649.23	457,299,476.43
Taxes payable	368,743,282.05	372,993,624.18
Other payables	1,337,734,331.13	1,192,020,147.82
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance payables		
Contract liabilities		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	443,198,383.65	295,164,745.44
Total current liabilities	3,791,973,642.95	4,300,777,316.66
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		

Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income	74,300,122.46	76,636,500.55
Deferred income tax liabilities	104,491,018.40	102,764,515.11
Other non-current liabilities		
Total non-current liabilities	178,791,140.86	179,401,015.66
Total liabilities	3,970,764,783.81	4,480,178,332.32
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,295,405,592.25	1,295,405,592.25
Less: Treasury stock		
Other comprehensive income	0.00	4,794,830.59
Specific reserve		
Surplus reserves	256,902,260.27	256,902,260.27
General reserve		
Retained earnings	6,038,992,486.07	5,541,281,341.47
Total equity attributable to owners of the Company as the parent	8,094,900,338.59	7,601,984,024.58
Non-controlling interests	454,398,502.52	427,766,092.82
Total owners' equity	8,549,298,841.11	8,029,750,117.40
Total liabilities and owners' equity	12,520,063,624.92	12,509,928,449.72

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

## 2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2019	31 December 2018
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Current assets:		
Monetary capital	1,802,891,540.10	1,078,172,917.59
Trading financial assets	1,283,596,291.10	0.00
Financial assets at fair value through profit or loss	0.00	622,892.96
Derivative financial assets		
Notes receivable	1,108,974,294.31	1,256,336,386.34
Accounts receivable	10,652,383.81	9,385,950.54
Financings backed by accounts receivable		
Prepayments	32,040,928.40	10,869,911.54
Other receivables	105,037,195.62	110,800,665.19
Including: Interest receivable		
Dividends receivable		
Inventories	2,054,730,290.11	2,125,826,967.11
Contract assets		
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	10,900,000.00	1,764,267,968.83
Total current assets	6,408,822,923.45	6,356,283,660.10
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets	0.00	206,393,107.46
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,148,213,665.32	1,148,213,665.32
Investments in other equity instruments		
Other non-current financial assets		
Investment property	4,868,657.29	24,715,657.40
Fixed assets	1,250,784,248.86	1,290,714,455.79
Construction in progress	152,636,993.95	86,634,753.93
Productive living assets		
Oil and gas assets		

Right-of-use assets		
Intangible assets	186,197,455.70	189,968,142.25
R&D expense		
Goodwill		
Long-term prepaid expense	51,792,292.31	56,643,945.05
Deferred income tax assets	25,828,182.26	37,415,458.17
Other non-current assets	574,026.00	12,474,026.00
Total non-current assets	2,820,895,521.69	3,053,173,211.37
Total assets	9,229,718,445.14	9,409,456,871.47
Current liabilities:		
Short-term borrowings		
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	49,462,005.58	28,648,913.72
Accounts payable	250,260,975.12	362,290,556.21
Advances from customers	1,270,017,763.69	1,123,125,892.84
Contract liabilities		
Payroll payable	94,335,702.40	117,748,485.96
Taxes payable	155,090,249.07	161,176,957.25
Other payables	267,083,819.65	372,902,293.22
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	3,203,092.77	32,605,794.55
Total current liabilities	2,089,453,608.28	2,198,498,893.75
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		

Long-term payables		
Long-term payroll payable		
Provisions		
Deferred income		
Deferred income tax liabilities	34,425,436.60	36,417,554.85
Other non-current liabilities	7,546,971.67	4,828,737.52
Total non-current liabilities		
Total liabilities	41,972,408.27	41,246,292.37
Owners' equity:	2,131,426,016.55	2,239,745,186.12
Share capital		
Other equity instruments	503,600,000.00	503,600,000.00
Including: Preferred shares		
Perpetual bonds		
Capital reserves		
Less: Treasury stock	1,247,162,107.35	1,247,162,107.35
Other comprehensive income		
Specific reserve	0.00	4,794,830.59
Surplus reserves		
General reserve	251,800,000.00	251,800,000.00
Retained earnings	5,095,730,321.24	5,162,354,747.41
Total owners' equity	7,098,292,428.59	7,169,711,685.35
Total liabilities and owners' equity	9,229,718,445.14	9,409,456,871.47

### 3. Consolidated Income Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Revenue	5,988,112,999.09	4,783,083,895.33
Including: Operating revenue	5,988,112,999.09	4,783,083,895.33
Interest income		
Premium income		
Handling charge and commission income		
2. Costs and expenses	4,416,581,005.79	3,629,658,388.11
Including: Cost of sales	1,394,156,734.55	1,042,675,468.24

Interest expense		
Handling charge and commission expense		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	869,527,762.04	729,467,173.53
Selling expense	1,840,489,439.70	1,597,300,315.17
Administrative expense	302,045,457.13	272,473,203.36
R&D expense	14,664,237.67	8,027,134.36
Finance costs	-4,302,625.30	-20,284,906.55
Including: Interest expense	14,173,972.09	0.00
Interest income	20,466,649.02	21,644,883.48
Add: Other income	30,783,918.68	4,487,036.05
Return on investment ("-" for loss)	77,347,047.53	68,775,019.95
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Foreign exchange gain ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	11,320,345.56	236,707.77
Credit impairment loss ("-" for loss)		
Asset impairment loss ("-" for loss)	-6,421,818.07	-1,171,911.36
Asset disposal income ("-" for	119,488.56	154,437.81

loss)		
3. Operating profit (“-” for loss)	1,684,680,975.56	1,225,906,797.44
Add: Non-operating income	11,150,763.53	14,758,797.76
Less: Non-operating expense	1,737,611.07	4,438,013.04
4. Profit before tax (“-” for loss)	1,694,094,128.02	1,236,227,582.16
Less: Income tax expense	419,145,404.31	320,789,915.24
5. Net profit (“-” for net loss)	1,274,948,723.71	915,437,666.92
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	1,274,948,723.71	915,437,666.92
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	1,248,316,314.01	892,422,337.64
5.2.1 Net profit attributable to non-controlling interests	26,632,409.70	23,015,329.28
6. Other comprehensive income, net of tax	0.00	-45,102,275.58
Attributable to owners of the Company as the parent	0.00	-45,102,275.58
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value of the company’s credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	0.00	-45,102,275.58
6.2.1 Other comprehensive income that will be reclassified to profit		

or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets	0.00	-45,102,275.58
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		
6.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.9 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	1,274,948,723.71	870,335,391.34
Attributable to owners of the Company as the parent	1,248,316,314.01	847,320,062.06
Attributable to non-controlling interests	26,632,409.70	23,015,329.28
8. Earnings per share		
8.1 Basic earnings per share	2.48	1.77
8.2 Diluted earnings per share	2.48	1.77

Legal representative: Liang Jinhui

The Company's chief accountant: Ye Changqing

Head of the Company's financial department: Zhu Jiafeng

#### 4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Operating revenue	3,144,682,463.58	2,373,509,719.96
Less: Cost of sales	1,277,918,576.91	962,446,727.32
Taxes and surcharges	764,598,846.12	612,880,006.38
Selling expense	45,886,471.81	90,185,702.99
Administrative expense	202,658,261.68	183,435,604.67
R&D expense	9,036,129.81	7,385,784.90
Finance costs	-2,059,057.16	-17,205,534.12
Including: Interest expense	14,006,847.09	0.00
Interest income	17,740,923.04	20,244,281.30
Add: Other income	3,372,718.25	2,363,480.01
Return on investment (“-” for loss)	31,883,868.76	61,302,268.33
Including: Share of profit or loss of joint ventures and associates		
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	11,320,345.56	236,707.77
Credit impairment loss (“-” for loss)		
Asset impairment loss (“-” for loss)	-6,131,316.45	-1,440,847.72
Asset disposal income (“-” for loss)	36,552.41	0.00
2. Operating profit (“-” for loss)	887,125,402.94	596,843,036.21
Add: Non-operating income	9,342,723.23	12,278,301.09
Less: Non-operating expense	1,225,313.77	3,316,344.52
3. Profit before tax (“-” for loss)	895,242,812.40	605,804,992.78
Less: Income tax expense	211,262,069.16	162,576,738.06
4. Net profit (“-” for net loss)	683,980,743.24	443,228,254.72

4.1 Net profit from continuing operations (“-” for net loss)	683,980,743.24	443,228,254.72
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	0.00	-45,064,475.58
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value of the company’s credit risks		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss	0.00	-45,064,475.58
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets	0.00	-45,064,475.58
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		

5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		
6. Total comprehensive income	683,980,743.24	398,163,779.14
7. Earnings per share		
7.1 Basic earnings per share	1.36	0.88
7.2 Diluted earnings per share	1.36	0.88

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	5,352,480,704.00	4,168,785,414.04
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds for acting trading of securities		
Tax rebates	15,816,253.89	1,526,552.28

Cash generated from other operating activities	276,731,904.68	578,221,173.31
Subtotal of cash generated from operating activities	5,645,028,862.57	4,748,533,139.63
Payments for commodities and services	899,005,913.59	805,659,265.35
Net increase in loans and advances to customers		
Net increase in deposits in central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in financial assets held for trading		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	1,006,137,070.65	777,363,928.00
Taxes paid	2,001,653,338.87	1,875,377,764.19
Cash used in other operating activities	696,498,790.63	621,185,290.48
Subtotal of cash used in operating activities	4,603,295,113.74	4,079,586,248.02
Net cash generated from/used in operating activities	1,041,733,748.83	668,946,891.61
2. Cash flows from investing activities:		
Proceeds from disinvestment	2,576,300,054.88	1,050,984,415.12
Return on investment	72,002,136.32	64,643,822.92
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	33,700.00	170,207.20
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from	2,648,335,891.20	1,115,798,445.24

investing activities		
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	152,296,054.86	160,906,209.61
Payments for investments	1,222,560,163.50	1,221,541,796.23
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	1,374,856,218.36	1,382,448,005.84
Net cash generated from/used in investing activities	1,273,479,672.84	-266,649,560.60
3. Cash flows from financing activities:		
Capital contributions received		
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings obtained		
Net proceeds from issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayments of borrowings		
Payments for interest and dividends	755,400,000.00	503,600,000.00
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities		
Subtotal of cash used in financing activities	755,400,000.00	503,600,000.00
Net cash generated from/used in financing activities	-755,400,000.00	-503,600,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash	1,559,813,421.67	-101,302,668.99

equivalents		
Add: Cash and cash equivalents, beginning of the period	835,560,865.12	1,024,088,626.40
6. Cash and cash equivalents, end of the period	2,395,374,286.79	922,785,957.41

## 6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,351,164,696.89	1,823,943,040.35
Tax rebates		
Cash generated from other operating activities	248,907,013.29	637,265,577.14
Subtotal of cash generated from operating activities	3,600,071,710.18	2,461,208,617.49
Payments for commodities and services	847,532,691.56	621,024,637.00
Cash paid to and for employees	355,855,901.15	299,547,110.96
Taxes paid	1,260,288,640.64	1,185,933,500.57
Cash used in other operating activities	145,296,084.94	122,550,902.77
Subtotal of cash used in operating activities	2,608,973,318.29	2,229,056,151.30
Net cash generated from/used in operating activities	991,098,391.89	232,152,466.19
2. Cash flows from investing activities:		
Proceeds from disinvestment	1,400,740,054.88	860,984,415.12
Return on investment	31,890,794.48	62,684,376.34
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	41,304.23	0.00
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		

Subtotal of cash generated from investing activities	1,432,672,153.59	923,668,791.46
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	116,751,759.47	84,656,707.92
Payments for investments	726,900,163.50	621,541,796.23
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	843,651,922.97	706,198,504.15
Net cash generated from/used in investing activities	589,020,230.62	217,470,287.31
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained		
Net proceeds from the issuance of bonds		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities		
Repayments of borrowings		
Payments for interest and dividends	755,400,000.00	503,600,000.00
Cash used in other financing activities		
Subtotal of cash used in financing activities	755,400,000.00	503,600,000.00
Net cash generated from/used in financing activities	-755,400,000.00	-503,600,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	824,718,622.51	-53,977,246.50
Add: Cash and cash equivalents, beginning of the period	708,172,917.59	826,262,109.02
6. Cash and cash equivalents, end of the	1,532,891,540.10	772,284,862.52

period		
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## 7. Consolidated Statements of Changes in Owners' Equity

H1 2019

Unit: RMB

Item	H1 2019														
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity		
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings			Other	Subtotal
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	503,600,000.				1,295,405,592.25		4,794,830.59		256,902,260.27		5,541,281,341.47		7,601,984,024.58	427,766,092.82	8,029,750,117.40
Add: Adjustments for changed accounting policies							-4,794,830.59				4,794,830.59				
Adjustments for corrections of previous errors															
Adjustments															

for business combinations under common control																		
Other adjustments																		
2. Balances as at the beginning of the year	503,600,000.				1,295,405,592.				256,902,260.				5,546,076,172.			7,601,984,024.	427,766,092.8	8,029,750,117.
	00				25				27				06			58	2	40
3. Increase/decrease in the period ("-" for decrease)													492,916,314.01			492,916,314.01	26,632,409.70	519,548,723.71
3.1 Total comprehensive income													1,248,316,314.01			1,248,316,314.01	26,632,409.70	1,274,948,723.71
3.2 Capital increased and reduced by owners																		
3.2.1 Ordinary shares increased by																		

shareholders															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit distribution										-755,400,000.0 0		-755,400,000.0 0		-755,400,000.0 0	
3.3.1 Appropriatio n to surplus reserves															
3.3.2 Appropriatio n to general reserve															
3.3.3 Appropriatio										-755,400,000.0 0		-755,400,000.0 0		-755,400,000.0 0	

n to owners (or shareholders)															
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4															

Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															

4. Balances as at the end of the period	503,600,000.				1,295,405,592.25		0.00		256,902,260.27		6,038,992,486.07		8,094,900,338.59	454,398,502.52	8,549,298,841.11
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H1 2018

Unit: RMB

Item	H1 2018														
	Equity attributable to owners of the Company as the parent												Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	503,600,000.				1,295,405,592.25			53,520,827.44	256,902,260.27		4,349,649,698.42		6,459,078,378.38	382,100,628.33	6,841,179,006.71
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															

Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	503,600,000.				1,295,405,592.25	53,520,827.44		256,902,260.27		4,349,649,698.42		6,459,078,378.38	382,100,628.33	6,841,179,006.71	
3. Increase/decrease in the period ("-" for decrease)						-45,102,275.58				388,822,337.64		343,720,062.06	23,015,329.28	366,735,391.34	
3.1 Total comprehensive income						-45,102,275.58				892,422,337.64		847,320,062.06	23,015,329.28	870,335,391.34	
3.2 Capital increased and reduced by owners															
3.2.1 Ordinary shares															

increased by shareholders															
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other															
3.3 Profit distribution											-503,600,000.00		-503,600,000.00		-503,600,000.00
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3															
											-503,600,000.00		-503,600,000.00		-503,600,000.00

Appropriation to owners (or shareholders)												0		0			0
3.3.4 Other																	
3.4 Transfers within owners' equity																	
3.4.1 Increase in capital (or share capital) from capital reserves																	
3.4.2 Increase in capital (or share capital) from surplus reserves																	
3.4.3 Loss offset by surplus reserves																	

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															

3.6 Other															
4. Balances as at the end of the period	503,600,000.00				1,295,405,592.25		8,418,551.86		256,902,260.27		4,738,472,036.06		6,802,798,440.44	405,115,957.61	7,207,914,398.05

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

H1 2019

Unit: RMB

Item	H1 2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	503,600,000.00				1,247,162,107.35		4,794,830.59		251,800,000.00	5,162,354,747.41		7,169,711,685.35
Add: Adjustments for changed accounting policies							-4,794,830.59			4,794,830.59		
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35				251,800,000.00	5,167,149,578.00		7,169,711,685.35
3. Increase/ decrease in the period ("-" for										-71,419,256.76		-71,419,256.76

decrease)												
3.1 Total comprehensive income										683,980,743.24		683,980,743.24
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-755,400,000.00		-755,400,000.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-755,400,000.00		-755,400,000.00
3.3.3 Other												

3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												

3.6 Other											
4. Balances as at the end of the period	503,600,000.00				1,247,162,107.35		0.00		251,800,000.00	5,095,730,321.24	7,098,292,428.59

H1 2018

Unit: RMB

Item	H1 2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38		6,159,168,687.11
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	503,600,000.00				1,247,162,107.35		53,454,736.38		251,800,000.00	4,103,151,843.38		6,159,168,687.11
3. Increase/ decrease in the period (“-” for decrease)							-45,064,475.58			-60,371,745.28		-105,436,220.86
3.1 Total comprehensive							-45,064,475.58			443,228,254.72		398,163,779.14

income												
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution										-503,600,000.00		-503,600,000.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-503,600,000.00		-503,600,000.00
3.3.3 Other												

3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												

3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	503,600,000.00				1,247,162,107.35		8,390,260.80		251,800,000.00	4,042,780,098.10		6,053,732,466.25

**Anhui Gujing Distillery Company Limited**  
**Notes to Financial Statements for H1 2019**  
**(Currency Unit Is RMB Unless Otherwise Stated)**

**I. Company Profile**

Authorized by document WGZGZ (1996) No.053 of Anhui Administrative Bureau of State-owned Property, Anhui Gujing Distillery Company Limited (“the Company”) was established as a limited liability company with net assets of RMB377,167,700 and state-owned shares of 155,000,000 shares and considered Anhui Gujing Company as the only promoter. The registration place was Bozhou Anhui China. The Company was established on 5 March 1996 by document of WZM (1996) No.42 of Anhui People’s Government. The Company set up plenary session on 28 May 1996 and registered in Anhui on 30 May 1996 with business license of 14897271-1.

The Company has issued 60,000,000 domestic listed foreign shares (“B” shares) in June 1996 and 20,000,000 ordinary shares (“A shares) on September 1996, ordinary shares are listed in national and par value is RMB1.00 per share. Those A shares and B shares are listed in Shenzhen Stock exchange.

Headquarter of the Company is located in Gujing Bozhou Anhui. The Company and its subsidiaries (the Company) specialize in producing and selling white spirit.

Registered capitals of the Company were RMB235,000,000 with stocks of 235,000,000, of which 155,000,000 shares were issued in China, B shares of 60,000,000 shares and A shares of 20,000,000 shares. The book value of the stocks of the Company was of RMB1 per share.

On 29 May 2006, a shareholder meeting was held to discuss and approval a program of equity division of A share, the program was implement in June 2006. After implementation, all shares are outstanding share, which include 147,000,000 shares with restrict condition on disposal, represent 62.55% of total equity, and 88,000,000 shares without restrict condition on disposal, represent 37.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on 27 June 2007, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on 29 June 2007. Up to that day, outstanding shares with restrict condition on disposal are 135,250,000, representing 57.55% of total equity, the share without restrict condition are 99,750,000, representing 42.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on 17 July 2008, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on 18 July 2008. Up to that day, outstanding shares with restrict condition on disposal are 123,500,000, representing 52.55% of total equity, the share without restrict condition are 111,500,000, representing 47.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on 24 July 2009, 123,500,000 outstanding shares with restrict condition on disposal are listed in stock market on 29 July 2009. Up to that day, the Company’s all shares are all tradable.

Approved by the CSRC Document Zheng-Jian-Xu-Ke [2011] No. 943, the Company privately offered 16,800,000

ordinary shares (A-shares) to special investors on 15 July 2011, with a par value of RMB1 and the price of RMB75.00 per share, raising RMB1,260,000,000.00 in total, the net amount of raised funds stood at RMB1,227,499,450.27 after deducting RMB32,500,549.73 of various issuance expenses. Certified Public Accountants verified the raised capital upon its arrival and issued the Capital Verification Report Reanda-Yan-Zi [2011] No. 1065. After private issuance, the share capital of the Company increased to RMB251.8 million.

Pursuant to the Resolution of The 2011 Annual General Meeting, the Company that considered 251,800,000 shares as base number on 31 December 2011 transferred capital reserve into share capital at a rate of “10 shares for per 10 shares” accounting for 251,800,000 shares and implemented in the year of 2012. Upon the transference, the registered capitals increased to RMB503,600,000.

In April 2016, the Company entered a strategic cooperation agreement with Wuhan Tianlong Yellow Crane Tower Co., Ltd., creating a new age for cooperation related to Chinese famous spirit. As the only Chinese famous spirit in Hubei Province, it features unique mellow taste, elegant appearance and tempting smell. Moreover, Yellow Crane Tower White Spirit won the Golden Prize respectively in 1984 and 1989 National White Spirit Appraisal Competition as one of the business card representing Hubei Province’s economy. At present, the Company has established three major bases in Wuhan, Xianning and Suizhou, of which, Xianning Base has integrated modernism, ecologism and high technology as a new spirit-making base, known as “the most beautiful chateau in China”. In 2016, Yellow Crane Tower Spirit won “2015 Top 10 Star Product in Hubei Province”.

By 30 June 2019, the Company issued 503,600,000 shares.

The Company is registered at Gujing Town, Bozhou City, Anhui Province.

The approved business of the Company including procurement of grain (operating with business license), manufacture of distilled spirits, wine distilling facilities, packaging material, bottles, alcohol, grease (limited to byproducts from wine manufacture), and research and development of high-tech, biotechnology development, agricultural and sideline products deep processing, as well as sale of self-manufacturing products.

The Company as the parent and the final company as the parent is Anhui Gujing Company Co., Ltd in China.

Financial statement of the Company will be released on 23 August 2019 by the Board of Directors.

On 30 June 2019, there were 22 subsidiaries included in the consolidation scope. Please refer to Note VIII “Rights and Interests in other Entities” for details. During the Reporting Period, only 1 subsidiary was added into the consolidation scope when compared to that of the same period of last year. Please refer to Note VII “Change of the Consolidation Scope” for details.

## **II. Basis for the Preparation of Financial Statements**

### **1. Basis for the Preparation**

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Company prepared financial statements in accordance with the ASBE-Basic Standard (No. 33 issued decreed by Ministry of Finance and No. 76 revised decreed by Ministry of Finance), the 41 specific standards of Accounting

Standards for Business Enterprises issued by Ministry of Finance of the PRC on 15 February 2006 and revised thereafter, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations(hereinafter referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In line with relevant rules of ASBE, financial accounting of the Company is based on accrual system. Except financial instruments and instrument real estate, the financial statement is calculated on the basis of history costs. Available-for-sale non-current assets are calculated by the lower one of fair value deducting estimated costs and original costs meeting the standard of available-for-sale. If assets confront impairment, it shall be withdrawn provision for impairment in line with relevant stipulations.

## **2. Continuous Operation**

The management of the Company executed the assessment on the continuation ability and had not discovered any event or situation caused significant suspicion on the continuation ability. Thus, the financial statements compiled based on the hypothesis of the continuation.

## **III. Declaration of Compliance with the Enterprise Accounting Standards**

The financial statements of the Company have been prepared in accordance with the Enterprise Accounting Standards to present truly and completely the financial position of the Company on 30 June 2019, operating results, cash flow from January to June in 2019 and other relevant information. The financial statement of the Company met the relevant disclosure requirements of financial statement and notes of “Compiling stipulations of public information disclosure No.15---general rules of financial statement” (revised in 2014).

## **IV. Main Accounting Policies and Accounting Estimates**

The Company and various subsidiaries are mainly specialized in manufacturing and selling white spirit. According to the actual production & operation and related ASBE provisions, this company and various subsidiaries have formulated some specific accounting policies and estimations related to various transactions and matters including revenue recognition. Please refer to Note IV. 24 “Revenues” for details. For any description of major accounting judgment and estimations made by the company’s management, please refer to Note IV. 28 “Other Significant Accounting Policies and Estimates” for details.

### **1. Accounting Period**

Accounting Period is divided to annual term and interim term. Accounting medium refers to reporting period shorter than a complete accounting period. The Company employs a period of calendar days from January 1<sup>st</sup> to December 31<sup>st</sup> each year as accounting year.

### **2. Operating Cycle**

Normal operating cycle refers to the period from the Company purchases the assets for processing to realize the

cash or cash equivalents. The Company regards 12 months as an operating cycle and regards which as the partition criterion of the mobility of the assets and liabilities.

### **3. Bookkeeping Base Currency**

Renminbi is the dominant currency used in the economic circumstances where the Company and its domestic subsidiaries are involved. Therefore, the Company and its domestic subsidiaries use Renminbi as their bookkeeping base currency. And the Company adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the reporting period.

### **4. Accounting Treatment Methods for Business Combinations Under the Same Control and those not Under the Same Control**

The term “business combinations” refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

#### **(1) Accounting treatment of the business combination that is under the same control**

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Other direct expenses occur when the Company conducting business combinations is recognized in current profit and loss. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Those assets and liabilities obtained by the Company during the business combination should be recognized in the carrying value of the equity of the merged party on the merger date. The difference between the carrying amount of the net assets obtained and carrying amount of the merger consideration (or total par value of issued shares) paid shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Direct costs of a business combination shall be reckoned into current gains and losses.

#### **(2) Accounting treatment of the business combination that is not under the same control**

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. In business combination not under the same control, acquirer refers to party obtaining control of other combining corporations in the date of acquisition and acquiree refers to corporation participating in combination.

Date of acquire refers to the date the acquirer actually obtaining control of the acquiree.

As for combination not under the same control, costs of combination includes assets that acquirers occur in the date of combination in order to obtain control of acquirees, loans, fair value of issued equity securities, intermediary costs such as audit, legal services and evaluation consultation, and other administrative fees occurred in the reporting period. As for trading costs that acquirers as combination consideration issue equity securities or debt securities, it shall be reckoned into initial accounts of equity securities or debt securities. As for business combination realized by several exchanges and trades, in the combined financial statement of the Company, the Company shall recalculate the stock right obtained by acquirees before the date of acquisition in line with fair value of the stock right in the date of acquisition. When the Company acts as the combination party, the cost of a business combination paid by the acquirer is the aggregate of the fair value at the acquisition date of assets given (including share equity of the acquiree held before the combination date), liabilities incurred or assumed, and equity securities issued by the acquirer. Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognized as goodwill, while any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognized in profit or loss. The cost of equity securities or liability securities as on combination consideration offering is recognized in initial recording capital on equity securities or liability securities. Other direct expenses occur when the Company conducting business combinations is recognized in current profit and loss. The difference between the fair value and the carrying amount of the assets given is recognized in profit or loss. The Company, at the acquisition date, recognized the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

As for deductible temporary difference of acquirers obtained by acquirers which can't be confirmed due to failure of meeting the confirmation requirements of deferred income tax assets, if there is newly information proving the existence of relevant situation in the date of acquisition in a year after the acquisition date and financial benefits of deductible temporary difference of acquirers in the date of acquisition are estimated to be realized, deferred income tax assets shall be confirmed. At the same time, goodwill shall be decreased. If goodwill is insufficient, the difference shall be reckoned into current gains and losses; except the above circumstance, reliable deferred income tax assets relevant to the Company shall be reckoned into current gains and losses.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements on the "package deal" criterion (see Note IV. 5 (2)), to judge the multiple exchange transactions whether they are the "package deal". If it belongs to the "package deal" in reference to the preceding paragraphs of this section and the Notes described in Note IV. 14 "long-term equity investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements

and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the sum of the book value and new investment cost of the Company holds in the acquiree before the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains).

In the Company's consolidated financial statements, as for the equity interests that the Company holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains on the acquiring date).

## **5. Methods for Preparing Consolidated Financial Statements**

### **(1) Principle for determining the consolidation scope**

The consolidation scope for financial statements is determined on the basis of control. The term "control" is the power of the Company upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Company.

The Company would reassess it if the involved relevant factors of above control definitions changed, which was caused by changes of relevant facts and situations.

### **(2) Methods for preparing the consolidated financial statements**

The Company begins to include subsidiaries into consolidation scope from the date obtaining net assets of subsidiaries and actual control of production and operation and terminates to include subsidiaries into consolidation scope from the date losing actual control of subsidiaries. As for the disposal of subsidiaries, operating results and cash flow are included in consolidated income statement and consolidated statement of cash flow before the date of the disposal; as for current disposal of subsidiaries, opening balance of the consolidated balance sheet shall not be adjusted. As for subsidiaries increased in the combination not under the same control, operating results and cash flow after the date of the acquisition are included in consolidated income statement and consolidated statement of cash flow, in addition, opening balance of the consolidated balance sheet shall not be adjusted. As for subsidiaries

increased in the combination under the same control and combined parties under acquisition, operating results and cash flow from the beginning of combination to the date of combination are included in consolidated income statement and consolidated statement of cash flow, in addition, opening balance of the consolidated balance sheet shall be adjusted.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet based on their carrying amounts; while results of operations are included in the consolidated income statement, from the date that common control was established.

All the significant inter-company balances, trading and unrealized profits shall be offset when preparing the consolidated financial statement.

If current loss shoulder by minority shareholders of a subsidy over the proportion enjoyed by minority shareholders in a subsidy at owners' equity at period-begin, its balance still offset minority shareholders' equity.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-Company balances and transactions, and any unrealized profit or loss arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses resulting from intra-Company transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

When losing control right of subsidiaries because of the disposal of stock right investment or other reasons, the Company shall recalculate residual stock right in accordance to the fair value in the date of losing control right. As for remaining equity investment after disposal, the Company will re-account it according to the fair value at the date the control was lost. Any profit or loss occurred shall be recorded into the investment income during the period of losing control right. Then follow-up measurement of remaining equity shall be arranged in line with "No. 2—Long-term Equity Investment" or "No. 22—Affirmation and Calculation of Financial Instrument". More details please refer to Note IV, 14 "Long-term Equity Investment" or Note IV, 9 "Financial Instrument".

The Company through multiple transactions step deals with disposal of the subsidiary's equity investment until the loss of control; need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal: ① these transactions are considered simultaneously, or in the case of mutual influence made, ② these transactions as a whole in order to achieve a complete business results; ③ the occurrence of a transaction depends on occurs at least one other transaction ; ④ a transaction look alone is

not economical, but when considered together with other transaction is economical. If they do not belong to the package deal, each of them separately, as the case of a transaction in accordance with “without losing control over the disposal of a subsidiary part of long-term equity investments” (see Note IV. 14. (2) ④)) and “due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original” (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary's investment corresponding to the difference between the disposals, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

## **6. Classification of Joint Arrangements and Accounting Treatment of Joint Operations**

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Company classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Company enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Company is only entitled to the net assets of the arrangement.

The Company's investments in joint ventures are measured at the equity method according to the accounting policies mentioned in Note IV. 14 (2) ② “Long-term equity investments measured at the equity method”.

For a joint operation, the Company, as a joint operator, recognizes the assets and liabilities that it holds and bears in the joint operation, and recognizes the jointly-held assets and jointly-borne liabilities according to the Company's stake in the joint operation; recognizes the income from sale of the Company's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Company's stake in it; and recognizes the expense solely incurred to the Company and the expense incurred to the joint operation according to the Company's stake in it.

When the Company, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Company only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Company shall fully recognizes the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

## **7. Recognition Standard for Cash and Cash Equivalents**

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

easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

## **8. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements**

### **(1) Accounting treatments for translation of foreign currency transactions**

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying [the spot exchange rate on the date of the transaction / an exchange rate that approximates the actual spot exchange rate on the date of transaction]. The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

### **(2) Accounting treatments for translation of foreign currency monetary items and non-monetary items**

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

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

## **9. Financial Instruments**

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract.

### **(1) Classification, recognition and measurement of financial assets**

The Company classifies the financial assets into financial assets measured at amortized cost, financial assets measured by the fair value and the changes recorded in other comprehensive income and financial assets at fair value through profit or loss based on the business model for financial assets management and characteristics of contractual cash flow of financial assets. Financial assets initially recognized shall be measured at their fair values. For financial assets measured at their fair values and of which the variation is recorded into the profit or loss of the current period, the transaction expenses thereof shall be directly included into the current profit or loss; for other financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

#### **① Financial assets measured by the amortized cost**

The business mode of the Company to manage the financial assets targets at collecting the contractual cash flow,

that is, the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount. This kind of financial assets of the Company shall be subsequently measured based on the amortized cost and effective interest method, and the gains or losses arising from the amortization, impairment shall be included into current profit and loss.

② Financial assets measured at the fair value with its changes included into other comprehensive income

Business mode for managing financial assets of the Company takes contract cash flow collected as target and selling as target. The Company calculates such financial assets as per fair value whose change is included into corresponding comprehensive income, but impairment loss or gain, exchange gain or loss and interest income calculated as per actual interest rate method are included into the current profit and loss. Furthermore, the Company designates partial non-tradable equity vehicle investment as the financial asset measured with fair value whose change is included into other comprehensive income. The Company includes the related dividend income of such financial assets into the current profit and loss with the change in fair value included into other comprehensive income. At the time of derecognition of such financial assets, accumulated gain or loss included into other comprehensive income before will be shifted to retained earnings from other comprehensive incomes but not included into the current profit and loss.

③ Financial assets at fair value through profit or loss

The Company classifies financial assets except for above-mentioned financial assets measured with amortized cost and financial assets measured with fair value whose change is included into other comprehensive income into financial assets at fair value through profit or loss

(2) Classification, recognition and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and financial liabilities measured with amortized cost.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities which are subsequently measured at fair value and the changes of fair value are recorded into the current profit or loss. When the liabilities are derecognized, the difference between their fair values and their initial recorded amount was recognized as investment income and at the same time the gains and losses of fair value shall be adjusted.

② Financial liabilities with amortized cost

Financial liabilities with amortized cost shall be subsequently measured at the amortized cost. And gains or losses generated from derecognition or amortization shall be recorded into the current profit or loss.

(3) Recognition basis and measurement of financial assets transfer

A financial asset when one of the following conditions is met will be derecognized:

① the rights to receive cash flows from the asset have expired;

② the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through

arrangement; or

③the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a) the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. If the Company endorses the financial assets sold by right of recourse and holding financial assets, it needs to confirm that whether almost all risks and remuneration in the ownership of financial assets have been transferred or not. Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset; If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. If the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of the financial asset, then it continuously judges that whether the Company retain the control of the assets, and conducts accounting treatment according to the principles described in former paragraphs.

#### (4) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability. Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

#### (5) Determination of financial assets and liabilities' fair value

For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. In valuation, the Company adopts applicable valuation techniques

supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability characteristics considered in relevant asset or liability transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

#### (6) Impairment of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost and those measured at fair value and whose changes are included in other comprehensive income (debt instruments) based on expected credit loss. The measurement of expected credit loss depends on whether the credit risk of financial assets has increased significantly since the initial confirmation. In case of a significant increase, the Company measures its loss provisions according to the amount equivalent to the expected credit loss of the financial instrument during its entire life; otherwise, the Company measures its loss provisions according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the increased or reversed amount of loss provisions resulting therefrom shall be included in profits and losses of the current period as impairment losses or gains.

### **10. Notes Receivable**

All notes receivable settled of the Company are bank's acceptance bill and L/C. Based on the credit risk characteristics of notes receivable and comprehensive evaluation of their credit risk characteristics, the Company does not withdraw credit impairment losses for notes receivable.

### **11. Receivables**

The receivables by the Company include accounts receivable, and other receivables.

#### (1) Criteria for recognition of bad debts:

The Company carries out an inspection on the balance sheet date. Where there is any objective evidence proving that the receivables have been impaired, an impairment provision shall be made:

- 1) A serious financial difficulty occurs to the issuer or debtor;
- 2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- 3) The debtor will probably become bankrupt or carry out other financial reorganizations;
- 4) Other objective evidences showing the impairment of the receivables.

#### (2) Method for bad debts provision

- ① Provisions of bad debts in accounts receivables that is individually significant.

The Company recognized the accounts receivable which amounted to more than 2 million as the accounts receivable that is individual significant.

For an accounts receivable that is individually significant, the asset is individually assessed for impairment, the

impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly.

② Provisions of bad debts in accounts receivable that individually insignificant item with similar credit risk characteristics that have significant risk:

A. Evidence of credit risk characteristics

Whether the financial asset is individually significant or not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Such credit risk reflects the repayment of all due amount under the contract, and is related to the estimation of future cash flow expected to be derived from the assets.

Evidence of portfolios:

Item	Basis
Age portfolios	Age
Related party portfolios	Companies within the combination scope of the Company

B. Provision by credit risk characteristics

During the Company impairment test, the amount of bad debts provisions is determined by the assessed result from the experience of historical loss and current economic status and the existing loss in the estimated account receivables according to the set of account receivables and credit risk characteristic.

Provision for different portfolios:

Item	Provision
Age portfolios	Age analysis method
Related party portfolios	Don't withdraw the bad debts provision unless the related-party lost the repaying capability

a. Portfolio by age analysis

Aging	Proportion for accounts receivable (%)	Proportion for other receivables (%)
Within 1 year (including 1 year, similarly hereinafter)		
Including: [within 6 months]	1.00	1.00
[7 to 12 months]	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

③Accounts receivable with insignificant amount but being individually withdrawn bad debts provision

When making individual impairment test on accounts receivable with insignificant amount but high credit risk, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows, then withdraw the bad debts provision. For example, accounts receivable of related parties; accounts receivable involving dispute or litigation, arbitration; accounts receivable having clear signs to indicate that debtor probably cannot implement obligations of payment.

(3) Reversal of provision for bad debt

If there is any provident demonstrating recovery of the value of the accounts receivable and objectively correlating to the issues after the confirmation of the losses, the original confirmed losses would be reversed and recorded into current gains and losses. However, the reserved book value shall not exceed the amortized costs of the accounts receivable under non-withdrawing impairment circumstance.

## **12. Inventory**

(1) Category of inventory

Inventory mainly includes raw materials, packing materials, self-made semi-manufactured products, goods in process and finished goods, etc.

(2) Pricing method for outgoing inventories

Inventory is priced by actual costs when it is obtained. Inventory costs include procurement costs, processing costs and other costs. Weighted average method is used to price inventory when it is received and delivered.

(3) Recognition basis of net realizable value and withdrawal method of falling price provision for inventories

Net realizable value in daily activity, it is referred to the estimated selling price minus the estimated selling expenses and related tax and fees in normal operating process. When confirming the net realizable value of inventories, the Company shall take the intention of inventories into consideration and influence of issues after balance sheet date.

On the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable value is lower than costs, falling price provision of inventories shall be made. Under normal circumstances, the Company withdraws the falling price provision in according to individual inventory items, but for large quantity and low-unit-price inventories, falling price provision of inventories shall be made based on the category of inventories; for those inventories that relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, their falling price provision of inventories shall be consolidated.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, the amount of write-down shall be recovered and reversed from the original amount

of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) Inventory system for inventories is perpetual inventory system

(5) Amortization method of the low-value consumption goods and packing articles

Low-value consumption goods: one-off amortization method; Packing articles: one-off amortization method

### **13. Assets Held for Sale and Disposal Group**

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

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

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

Non-current assets or disposal group that no longer meet the conditions of non-current asset held for sell shall be

removed from the category, and shall be measured at the lower of the following: (1) The carrying amount before classification as held for sale after adjustment of depreciation, amortization or impairment that should be recognized if it is not classified as non-current assets held for sell; (2) recoverable amount.

#### **14. Long-term Equity Investments**

The long-term equity investments of this part refer to the long-term equity investments that the Company has control, joint control or significant influence over the investees. The long-term equity investment that the Company does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the accounting policies to Notes IV. 9 “Financial instrument”.

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

##### **(1) Recognition of investment costs**

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner’s equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into the combination of the enterprises under the same control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book

value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities and bonds securities.

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Company, the fair value of equity securities issued by the Company, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No. 22 of Accounting Standards for Business Enterprises—Recognition and

## Measurement of Financial Instrument.

### (2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

#### ① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

#### ② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the

unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Company to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The assets sold by the Company to the associated enterprises or the joint ventures if could form into business, the difference between the acquired consideration and the book value of the business should be included in the current gains and losses with full amount. The assets purchased by the Company to the associated enterprises or the joint ventures if could form into business, should be accounting disposed according to the regulations of No. 20 of ASBE—Business Combination, and should be recognized gains or losses related to the transaction with full amount.

The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Company has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Company before the first execution of the new accounting criterion of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

### ③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

### ④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the

Company loses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall be treated in accordance with the relevant accounting policies in Note IV. 5 (2) “Method on preparation of combined financial statements”.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopts the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Company acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other

owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount. For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Company respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

## **15. Investment Property**

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. Besides, for the idle constructions held by the Company for operation and lease, if the Board of Directors (or the similar institutions) made the written resolutions which affirmatively disclosed to use which for operation and lease with the intention would not change in the short term, should also be presented as the investment property.

Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditures of gains or losses should be recorded in the current gains and losses when occurred.

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

Investment property impairment test method and impairment accrual method described in Note IV. 20 "Long-term assets impairment".

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

From the date of transference, investment properties shall be transferred into fixed assets or intangible assets when investment properties transfer into self-owned properties. From the date of transference, fixed assets or intangible assets shall be transferred into investment properties when the intention of self-owned properties changes to be earning rents. Upon transference, investment properties using cost modeling shall use its book value before transference as the entry value after transference; investment properties using fair value shall use its fair value in the date of transference as the entry value after transference.

As for investment property disposed or perpetually out of use, and estimated without economic benefits from the disposal, confirmation shall be terminated. Disposal consideration of the investment property after sale, transference, discard or damage deducting its book value and relating taxes shall be recorded into current gains and losses.

## 16. Fixed Assets

### (1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year.

### (2) Depreciation methods of fixed assets

The initial measurement of a fixed asset shall be made at its cost after considering the effect of expected discard expenses. The Group shall withdraw the depreciation of fixed assets by adopting the straight-line method since the second month of its useful life. Useful life, expected net salvage value (refers to the expected amount that the Group may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life) and annual depreciation rate of each fixed assets are as below:

Category of fixed assets	Method	Useful life (Y)	Expected net salvage value (%)	Annual depreciation (%)
Housing and building	Straight-line method	8.00-35.00	3.00-5.00	2.70-12.10
Machinery equipments	Straight-line method	5.00-10.00	3.00-5.00	9.50-19.40
Transportation vehicle	Straight-line method	4.00	3.00	24.25
Office equipment and others	Straight-line method	3.00	3.00	32.33

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

### (3) Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note IV. 21 “Long-term assets impairment”.

### (4) Fixed Assets under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

### (5) Others

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

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

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

## **17. Construction in Progress**

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note IV. 21 “Long-term assets impairment”.

## **18. Borrowing Costs**

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognized as an expense in the period in which they are incurred. Qualifying assets are asset (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before ready for intended used or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

## **19. Intangible Assets**

### **(1) Intangible asset**

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated all of the land use rights and buildings should accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Company reviews the useful life and amortization method at

the end of the period, and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

## (2) Research and development cost

Cost of research and development is distinguished into the research phase and the development phases.

Cost of the research phase is recognized in the profit or loss in the period in which it is incurred.

Unless the following conditions are satisfied, cost of the development phase is recognized in the profit or loss in the period in which it is incurred:

- ① it is technically feasible to complete the intangible asset so as to use it or sell it;
- ② it is clearly invented to complete the intangible asset in order to use it or sell it;
- ③ it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;
- ④ there are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;
- ⑤ the cost of the development of the intangible can be measured reliably.

If the cost cannot be distinguished into the search phase and the development phase, it is recognized in the profit or loss for the period in which it is incurred.

## (3) Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note IV. 21 “Long-term assets impairment”.

### **20. Long-term Deferred Expenditure**

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period (a period during which an expense is expected to bring economic benefits to an entity) which is longer than one year and which includes at least part of the reporting period during which the expense was incurred and subsequent reporting periods. An item of long-term deferred expenses is recognized at the actual amount of the expense incurred and allocated in each month of the beneficial period using the straight line method.

### **21. Long-term Assets Impairment**

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained. Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset Groups or sets of asset Groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset Groups or sets of asset Groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Once the loss from above asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

## **22. Payroll**

The payroll of the Company mainly includes the short-term employee compensation, welfare after demission, demission welfare and other long-term employee benefits. Of which:

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

Welfare after demission mainly includes setting drawing plan. Of which setting the drawing plan mainly includes basic endowment insurance, unemployment insurance and annuity etc, and the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a

layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owning to relieve the labor relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition conditions of estimated liabilities.

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

### **23. Provisions**

Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determined as liabilities: (1) This obligation is current obligation of the Company; and, (2) The performance of this obligation will probably cause economic benefits outflow of the Company; and, (3) The amount of this obligation can be reliably measured.

On balance sheet date the Company performed relate obligation that consider risk, incertitude, time value of currency of contingency factor. According to the best estimate of the expenditure required to settle the present obligation for estimated liabilities measured.

If the expenditure required to settle the liability is expected to be fully or partly compensated by a third party, to determine the amount of compensation will be received at the basic, separately recognized as an asset, and is recognized in the amount of compensation does not exceed the carrying value of estimated liabilities.

### **24. Revenues**

(1) Commodity sales revenues

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in

a reliable way.

In the Company's daily accounting practices, as for the domestic sales, when the products had shipped out of the library and had handed over to the buyers, and the major risk as well as the reward on the ownership of the products had transferred to them, without keeping any continued management right which commonly related to the ownership nor carrying out any effective control of the products which had been sold, and at the same time the amounts received could be calculated reliably, and the relevant economic interest may flow into the enterprise, as well as the relevant costs which had occurred or is going to occur could be calculated reliably, should recognize the implementation of the commodity sales revenues. As for the overseas sales, should recognize the implementation of the revenues when the goods had made shipment and gained the customs export declaration.

## (2) Revenues from providing labor services

If an enterprise can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the balance sheet date. The percentage-of-completion is determined by the proportion of the costs incurred against the estimated total costs.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: ① The amount of revenue can be measured in a reliable way; ② The relevant economic benefits are likely to flow into the enterprise; ③ The schedule of completion under the transaction can be confirmed in a reliable way; ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the Company can not measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: If the cost of labor services incurred is expected to be compensated, the compensation amount for the cost of labor services shall be recognized as the revenue from providing labor service, and the cost of labor service incurred shall be as the current cost; if the cost of labor services incurred is not expected to compensate, no revenue from the providing of labor services may be recognized.

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

## (3) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis. In the Company's daily accounting practices, it should be calculated and recognized according to the chargeable time and methods in accordance with the relevant contract or agreement.

#### (4) Interest revenue

In accordance with the time that others use the Group's monetary capital and the actual rate.

### **25. Government Subsidies**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income. The government grants which were acquired by the Company will be used to purchase or otherwise form become long-term assets will be defined as grant related to the assets; the others will be defined as grants related to the income. If the files have not clearly defined government grants objects, it will be divided in the following manner compartmentalize the grants into grant related to the assets and grants related to the income: (1) government documents defined specific projects targets, according to the relative proportion of the budgets of specific items included the expenditure of to form assets and the expenditure will be charged into expense to be divided, the division ratio required at each balance sheet date for review and make changes if necessary; (2) government documents to make a general presentation purposes only, does not specify a particular project, as grants related to the income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

When received the government grants actually, recognized and measured them by the actual amount received. However, there is strong evidence that the end of fiscal support policies able to meet the conditions specified in the relevant funds are expected to be able to receive financial support, measured at the amount receivable. Government grants are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable of government departments issued a document entitled have been confirmed, or could reasonably estimated in accordance with the relevant provisions of its own official release of financial resources management approach, and the expected amount of a material uncertainty which does not exist; (2) it is based on the local financial sector to be officially released and financial support for the project and its financial fund management approach voluntarily disclosed in accordance with the provisions of "Regulations on Disclosure Government Information", and the management approach should be (inclusive of any compliance business conditions may apply), and not specifically formulated for specific businesses;(3) related grants approval has been clearly committed the deadline, and is financed by the proceeds of a corresponding budget as a guarantee, so that will be received within the prescribed period with the a reasonable assurance; (4) according to the specific circumstances of the Company and the subsidy matter, should satisfy the other conditions (if any).

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset in a reasonable and systematic manner. For a government grant related to income,

if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government subsidies including both assets-related parts and income-related parts should be treated separately. If it is difficult to separate, the government subsidies as a whole will be classified as income-related government grants.

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

For repayment of a government grant already recognized, if there is a related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

## **26. Deferred Tax Assets and Deferred Tax Liabilities**

### **(1) Income tax for the current period**

At the balance sheet date, current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

### **(2) Deferred income tax assets and liabilities**

For temporary differences between the carrying amount of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognized except where the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognized.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible

losses) at the time of transaction, no deferred tax asset is recognized. For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognized if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future. Except mentioned above, the Company recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax laws, which are expected to apply in the period in which the asset is realized or the liability is settled.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Company reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

### (3) Income tax expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked into other income or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

### (4) Income tax offset

When we have the legal right, and have intended to, to make settlement with net amount or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

## **27. Leases**

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

(1) The Company as Lessee under operating Lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

(2) The Company as Leaser under operating Lease

Lease income from operating leases shall be recognized by the leaser in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

(3) The Company as Lessee under financing Lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset. The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

(4) In the case of the lessor of a financing lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income, which is amortized using the effective interest rate method over each period during the lease term. Finance lease receivable less unearned finance income shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

## **28. Other Significant Accounting Policies and Estimates**

The Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of operation activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as

well as other factors that are considered to be relevant. These judgments, estimates and assumptions may affect value of the financial statements in revenue, expenses, assets and liabilities and the disclosure of contingency at the balance sheet date. However, the result derived from those uncertainties in estimates may lead significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The Company has reviews the judgments, estimates and assumptions regularly on the basis of going concern. Where the changes in accounting estimates only affect the period when changes occurred, and they are recognized within the same period. Where the changes in accounting estimates affect both current period and future period, the changes are recognized within the period of change and future period.

At balance sheet date, the followings are the significant areas where the Company needs to make judgment, estimates and assumptions over the value of items in the financial statements:

(1) Classification of lease

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

(2) Allowance for bad debt

According to the relevant accounting policies of the Company in receivables, allowance method is used for bad debt's calculation. The impairment of receivables is calculated based on the assessment of recoverable of receivables. Assurance of receivable impairment needs judgments and estimations from the management. The difference between actual results and original estimates shall have impact on the carrying amount of receivables and receivable bad debt provisions or the reverse during the change of estimation.

(3) Impairment of inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories are made if the cost is higher than their net realizable value and obsolete and slow-movement inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

(4) The fair value of financial instruments

For a financial instrument which has no active market, the Company establishes fair value by using various valuation methods, including of discounted cash flow analysis model. The Company needs to estimate future cash flow, credit risk, volatility and relationship during the valuation and choose appropriate discount rate. Such assumptions have uncertainties and their changes shall have impact on the fair value of financial instruments.

#### (5) Impairment of long-term assets

The Company assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there is any indication that its account balance cannot be recovered.

Impairment exists when the recoverable amount of an asset is the higher of its fair value less cost of disposal and present value of the future cash flows expected to be derived from the asset.

Net value between the difference of fair value and disposal cost is determined by reference of the price of similar product in a sale agreement in an arm's length transaction or an observable market price less the additional cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made over the asset's production, selling price and relevant operating expenses, and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Company makes an impairment test for goodwill at least at each year end. This requires an estimation of present value of future cash flow of the assets or assets group where goodwill has been allocated. The Company shall makes estimation on the future cash flow derived from assets or assets group and determine an appropriate discount rate for the present value of future cash flow when the estimation of present value of future cash flow is made.

#### (6) Depreciation and amortization

Investment property, fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account residual value. The useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factor used to determine the depreciation or amortization, the rate of depreciation or amortization is revised.

#### (7) Deferred tax assets

The group shall recognize all unused tax losses as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. This requires the management of the Company make a lot of judgments over the estimation of time period, value and tax planning strategies when future taxable profit incurs so that the value of deferred tax assets can be determined.

#### (8) Income tax

There are some transactions where ultimate tax treatments and calculations have uncertainties in the Company's

everyday operation. If it is possible for any item to make expenditure before tax that needs to be approved from competent tax authorities. If there is any difference between finalized determination value and their initial estimations value, the difference shall have the impact on the income tax and deferred income tax of the current period during the final determination.

(9) Provisions

According with the terms of the contract, the existing knowledge and historical experience, product quality assurance and expected contract losses, delay in delivery of liquidated damages are estimated and recognized as accrued liabilities. In these matters has been the formation of a current obligation, and fulfilling the duty is likely to lead to the outflow of economic benefits of the Company, the Company or the best estimate of the current obligation expenditure required recognized as a accrued liabilities. Recognition and measurement of accrued liabilities is dependent on the judgment of management. In the processing of judgment the company needed to appraise the related risks, uncertainties and time value of money and other factors.

**29. Changes in Main Accounting Policies and Estimates**

(1) Significant Changes in Accounting Policies

Contents of changes in accounting policies and reasons thereof	Approval procedures	Note
<p>The Ministry of Finance issued the Notice on Revising and Issuing of Formats of 2019 Financial Statements for General Enterprises (CK[2019]No.6) (hereinafter referred to as “Revising Notice”) on 30 April 2019, in which the formats of financial statements for general enterprises are revised and non-financial enterprises carrying out accounting standards for business enterprises are required to prepare the financial statements for 2019, H1 of 2019 and subsequent periods in accordance with provisions stipulated in accounting standards for business enterprises and the Revising Notice. The Company belongs to the company that has implemented the new standards governing financial instruments but not carried out the new standards governing revenue and new standards governing leases. The Company adjusted the formats of financial statements and presentation of some items as required by the Revising Notice.</p>	<p>Reviewed and approved on the 10<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors and the 9<sup>th</sup> Meeting of the 8<sup>th</sup> Supervisory Committee</p>	<p>For details, please refer to the announcement on changes in accounting policies disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a></p>

In line with provisions of the Revising Notice, the Company adjusted the formats of financial statements as follows:

① Balance sheet

The item of “notes receivable and accounts receivable” is split into two items of “notes receivable” and “accounts receivable”;

The item of “notes payable and accounts payable” is split into two items of “notes payable” and “accounts payable”;

The item of “financing backed by accounts receivable” is added to reflect the notes receivable and accounts receivable measured at fair value and changes thereof recorded into other comprehensive income on the balance sheet date.

② Income statement

The “less: asset impairment loss” is adjusted into “add: asset impairment loss (“-“ for loss)”;

The “less: credit impairment loss” is adjusted into “add: credit impairment loss (“-“ for loss)”;

For the item of “R&D expense”, the amortization of developing intangible assets recorded into administrative expense is supplemented;

The item of “income from the derecognition of financial assets at amortized cost” is added to reflect gains or losses of the Company from the derecognition of financial assets at amortized cost due to cases like transfer. This item shall be filled based on the amount of classification item related to “investment income”, and “-“ for loss.

③ Cash flow statement

For cash flow statements, the filling requirements governing government subsidies are clarified that government subsidies no matter related to assets or income are presented in the item of “cash generated from other operating activities”.

④ Statements of changes in owners’ equity

For statements of changes in owners’ equity, the filling requirements governing “capital increased by holders of other equity instruments” are clarified to reflect the amount of capital increased by holders of financial instruments except ordinary shares issued by the Company and classified as equity instruments. The item is filled based on the amount of classification item related to financial instruments.

(2) Significant Changes in Accounting Estimates

Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
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Current assets:			
Monetary capital	1,705,760,865.12	1,705,760,865.12	
Settlement reserve			
Interbank loans granted			
Trading financial assets	0.00	2,965,016,000.42	2,965,016,000.42
Financial assets at fair value through profit or loss	622,892.96	0.00	-622,892.96
Derivative financial assets			
Notes receivable	1,347,427,811.34	1,347,427,811.34	
Accounts receivable	29,748,068.74	29,748,068.74	
Financing backed by accounts receivable			
Prepayments	182,558,000.75	182,558,000.75	
Premiums receivable			
Reinsurance receivables			
Receivable reinsurance contract reserve			
Other receivables	43,342,878.22	43,342,878.22	
Including: Interest receivable	24,923,178.08	24,923,178.08	
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	2,407,306,664.86	2,407,306,664.86	
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets	300,000,000.00	300,000,000.00	
Other current assets	3,012,478,687.20	254,478,687.20	-2,758,000,000.00
Total current assets	9,029,245,869.19	9,235,638,976.65	206,393,107.46
Non-current assets:			
Loans and advances to customers			
Investments in debt obligations			

Available-for-sale financial assets	206,393,107.46	0.00	-206,393,107.46
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	4,900,000.00	4,900,000.00	
Investments in other equity instruments			
Other non-current financial assets			
Investment property	5,027,228.53	5,027,228.53	
Fixed assets	1,763,988,530.56	1,763,988,530.56	
Construction in progress	93,320,557.56	93,320,557.56	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	742,083,609.10	742,083,609.10	
R&D expense			
Goodwill	478,283,495.29	478,283,495.29	
Long-term prepaid expense	83,561,473.46	83,561,473.46	
Deferred income tax assets	86,580,171.06	86,580,171.06	
Other non-current assets	16,544,407.51	16,544,407.51	
Total non-current assets	3,480,682,580.53	3,274,289,473.07	-206,393,107.46
Total assets	12,509,928,449.72	12,509,928,449.72	
Current liabilities:			
Short-term borrowings			
Borrowings from central bank			
Interbank loans obtained			
Trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			

Notes payable	349,203,413.72	349,203,413.72	
Accounts payable	484,952,598.59	484,952,598.59	
Advances from customers	1,149,143,310.48	1,149,143,310.48	
Financial assets sold under repurchase agreements			
Customer deposits and interbank deposits			
Payables for acting trading of securities			
Payables for underwriting of securities			
Payroll payable	457,299,476.43	457,299,476.43	
Taxes payable	372,993,624.18	372,993,624.18	
Other payables	1,192,020,147.82	1,192,020,147.82	
Including: Interest payable			
Dividends payable			
Handling charges and commissions payable			
Reinsurance payables			
Contract liabilities			
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities			
Other current liabilities	295,164,745.44	295,164,745.44	
Total current liabilities	4,300,777,316.66	4,300,777,316.66	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			

Long-term payables			
Long-term payroll payable			
Provisions			
Deferred income	76,636,500.55	76,636,500.55	
Deferred income tax liabilities	102,764,515.11	102,764,515.11	
Other non-current liabilities			
Total non-current liabilities	179,401,015.66	179,401,015.66	
Total liabilities	4,480,178,332.32	4,480,178,332.32	
Owners' equity:			
Share capital	503,600,000.00	503,600,000.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	1,295,405,592.25	1,295,405,592.25	
Less: Treasury stock			
Other comprehensive income	4,794,830.59	0.00	-4,794,830.59
Specific reserve			
Surplus reserves	256,902,260.27	256,902,260.27	
General reserve			
Retained earnings	5,541,281,341.47	5,546,076,172.06	4,794,830.59
Total equity attributable to owners of the Company as the parent	7,601,984,024.58	7,601,984,024.58	
Non-controlling interests	427,766,092.82	427,766,092.82	
Total owners' equity	8,029,750,117.40	8,029,750,117.40	
Total liabilities and owners' equity	12,509,928,449.72	12,509,928,449.72	

Note for adjustment:

In 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK[2017]No.7), the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (CK[2017]No.8), the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting (CK[2017]No.9), and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (CK[2017]No.14). The Company starts to implement aforesaid new standards since 1 January 2019. In line with the link up rules, when the data of financial statements involved in prior years are inconsistent with the new standards, no adjustment is necessary. Specific items and amount

thereof affected are presented in above adjustment statements.

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	1,078,172,917.59	1,078,172,917.59	
Trading financial assets	0.00	1,807,016,000.42	1,807,016,000.42
Financial assets at fair value through profit or loss	622,892.96	0.00	-622,892.96
Derivative financial assets			
Notes receivable	1,256,336,386.34	1,256,336,386.34	
Accounts receivable	9,385,950.54	9,385,950.54	
Financings backed by accounts receivable			
Prepayments	10,869,911.54	10,869,911.54	
Other receivables	110,800,665.19	110,800,665.19	
Including: Interest receivable			
Dividends receivable			
Inventories	2,125,826,967.11	2,125,826,967.11	
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	1,764,267,968.83	164,267,968.83	-1,600,000,000.00
Total current assets	6,356,283,660.10	6,562,676,767.56	206,393,107.46
Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	206,393,107.46	0.00	-206,393,107.46
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			

Long-term equity investments	1,148,213,665.32	1,148,213,665.32	
Investments in other equity instruments			
Other non-current financial assets			
Investment property	24,715,657.40	24,715,657.40	
Fixed assets	1,290,714,455.79	1,290,714,455.79	
Construction in progress	86,634,753.93	86,634,753.93	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	189,968,142.25	189,968,142.25	
R&D expense			
Goodwill			
Long-term prepaid expense	56,643,945.05	56,643,945.05	
Deferred income tax assets	37,415,458.17	37,415,458.17	
Other non-current assets	12,474,026.00	12,474,026.00	
Total non-current assets	3,053,173,211.37	2,846,780,103.91	-206,393,107.46
Total assets	9,409,456,871.47	9,409,456,871.47	
Current liabilities:			
Short-term borrowings			
Trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	28,648,913.72	28,648,913.72	
Accounts payable	362,290,556.21	362,290,556.21	
Advances from customers	1,123,125,892.84	1,123,125,892.84	
Contract liabilities			
Payroll payable	117,748,485.96	117,748,485.96	
Taxes payable	161,176,957.25	161,176,957.25	
Other payables	372,902,293.22	372,902,293.22	
Including: Interest			

payable			
Dividends payable			
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities			
Other current liabilities	32,605,794.55	32,605,794.55	
Total current liabilities	2,198,498,893.75	2,198,498,893.75	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payable			
Provisions			
Deferred income			
Deferred income tax liabilities	36,417,554.85	36,417,554.85	
Other non-current liabilities	4,828,737.52	4,828,737.52	
Total non-current liabilities			
Total liabilities	41,246,292.37	41,246,292.37	
Owners' equity:	2,239,745,186.12	2,239,745,186.12	
Share capital			
Other equity instruments	503,600,000.00	503,600,000.00	
Including: Preferred shares			
Perpetual bonds			
Capital reserves			
Less: Treasury stock	1,247,162,107.35	1,247,162,107.35	
Other comprehensive income			

Specific reserve	4,794,830.59	0.00	-4,794,830.59
Surplus reserves			
General reserve	251,800,000.00	251,800,000.00	
Retained earnings	5,162,354,747.41	5,167,149,578.00	4,794,830.59
Total owners' equity	7,169,711,685.35	7,169,711,685.35	
Total liabilities and owners' equity	9,409,456,871.47	9,409,456,871.47	

Note for adjustment:

In 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (CK[2017]No.7), the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (CK[2017]No.8), the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting (CK[2017]No.9), and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (CK[2017]No.14). The Company starts to implement aforesaid new standards since 1 January 2019. In line with the link up rules, when the data of financial statements involved in prior years are inconsistent with the new standards, no adjustment is necessary. Specific items and amount thereof affected are presented in above adjustment statements.

## V. Taxation

### 1. Main Taxes and Tax Rate

Category of taxes	Particulars about specific tax rate
VAT	Income tax was in accordance with 16%,13%, 10%,9% and 6% of tax rate to calculate output tax and according to the balance of the current the deductibility deduct the input tax to calculate value added tax.
Consumption tax	Sales of wine RMB1 per 1000 ml or per kg to calculate the amount of consumption tax, a flat rate, 20% of the annual turnover to calculate the amount of consumption tax at valorem.
Urban maintenance and construction tax	1%, 5%, 7% of the actual taxable turnover amount.
Education expenses surcharge	3% of the actual taxable turnover amount.
Local education surcharge	2% of the actual taxable turnover amount.
Enterprise income tax	For details, see the table below.

Table of income tax rate of different entities:

Name of the entities	Income tax rate
Anhui Longrui Glass Co., Ltd	15%
Anhui Ruisiweier Technology Co., Ltd	15%
Bozhou Gujin Rubbish Recycling Co., Ltd	5%
Wuhan Yashibo Technology Co., Ltd	5%

Name of the entities	Income tax rate
Hubei Hechuanyuan Trade Co., Ltd	5%
Anhui Gujing Distillery Company Limited and its other subsidiaries	5%
Anhui Longrui Glass Co., Ltd	25%

## 2. Tax Preference and Approval

(1) On 5 December 2016, the Company's subsidiary Anhui Longrui Glass Co., Ltd. was attested to be qualified as a hi-tech enterprise and obtained Hi-tech Enterprise Certificate (NO. GR201634001204) which shall be valid in 3 years. Corresponding corporate income tax was also paid at the rate of 15% from January to June in 2019;

(2) On 21 October 2016, the Company's subsidiary Anhui Swisse Will Science & Technology Co., Ltd. was attested to be qualified as a hi-tech enterprise and obtained Hi-tech Enterprise Certificate (NO. GR201634000832) which shall be valid in 3 years. Corresponding corporate income tax was also paid at the rate of 15% from January to June in 2019;

(3) According to Notification for implementation of inclusive income tax relief policy for small enterprises with low profits (Financial and taxation (2019) No. 13), published by Ministry of Finance of the People's Republic of China and State Administration of Taxation, from 1 January 2019 to 31 December 2021, for small enterprises with low profits, of which the annual taxable income amount is under RMB1 million, the income tax deduction shall be 50% of the taxable income amount and the corporate income tax rate shall be reduced to 20%; and for the part of the annual taxable income amount exceeds RMB1 million but less than RMB3 million, the income tax deduction shall be 50% of the taxable income amount and the corporate income tax rate shall be reduced to 20%. For subsidiaries of the Company, Bozhou Gujing Recycling Co., Ltd, Wuhan Yashibo Technology Co., Ltd., Hubei Junhe Advertising Co., Ltd. and Hubei Yellow Crane Tower Beverage Co., Ltd., which satisfy conditions for small enterprises with low profits, the actual prevailing tax shall be reduced to 5% from January to June in 2019.

## VI. Notes on Major Items in Consolidated Financial Statements of the Company

The following notes (including notes on major items in consolidated financial statements of the Company), unless otherwise noted, the opening period was 1 January 2019, the closing period was 30 June 2019.

### 1. Monetary Funds

Item	Ending balance	Beginning balance
Cash in treasury	374,122.81	353,429.67
Bank deposit	3,164,869,696.55	1,705,175,643.46
Other monetary funds	14,090,694.21	231,791.99
Total	3,179,334,513.57	1,705,760,865.12

Item	Ending balance	Beginning balance
Of which: The total amount deposited in overseas	0.00	0.00

Note: At the end of this period, the amount of RMB770 million is structural time deposit of the bank deposit that cannot be withdrawn in advance before the due date; at the end of this period, the amount of RMB13,960,226.78 was restricted for pledge due to the opening of bank's acceptance bill among the other monetary fund. There's no limitation and restriction on the usage and remittance of funds deposited abroad due to pledge and mortgage, etc.

## 2. Trading Financial Assets

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	1,573,596,291.10	2,965,016,000.42
Of which:		
Equity instrument investment	217,596,291.10	207,016,000.42
Other	1,356,000,000.00	2,758,000,000.00
Total	1,573,596,291.10	2,965,016,000.42

## 3. Notes Receivable

### (1) Notes receivable Listed by Category

Item	Ending balance	Beginning balance
Bank acceptance bill	1,317,423,562.34	1,347,427,811.34
Trade acceptance bill	0.00	0.00
Total	1,317,423,562.34	1,347,427,811.34

### (2) Notes Receivable Pledged at the Period-end

Item	Pledged amount at the period-end
Bank acceptance bill	159,686,231.66
Trade acceptance bill	0.00
Total	159,686,231.66

### (3) Notes Receivable which had Endorsed by the Company or had Discounted and had not Due on the Balance Sheet Date at the Period-end

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	1,257,471,419.07	0.00

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Trade acceptance bill	0.00	0.00
Total	1,257,471,419.07	0.00

#### 4. Accounts Receivable

##### (1) Accounts Receivable Classified by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	30,811,517.08	100.00	724,824.38	2.35	30,086,692.70
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	30,811,517.08	100.00	724,824.38	2.35	30,086,692.70

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	30,397,358.01	100.00	649,289.27	2.14	29,748,068.74

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
	8.01		.27		8.74

In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	Ending balance		
	Account receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	29,358,361.66	422,193.75	1.44
[Of which: within 6 months]	26,143,108.14	261,431.08	1.00
[7-12 months]	3,215,253.52	160,762.67	5.00
1 to 2 years	1,277,227.55	127,722.76	10.00
2 to 3 years	2,040.00	1,020.00	50.00
Over 3 years	173,887.87	173,887.87	100.00
Total	30,811,517.08	724,824.38	2.35

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The reversed amount of the bad debt provision during the Reporting Period was of RMB75,535.11.

(3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

There was no actual verification of accounts receivable during the Reporting Period.

(4) Top Five of the Ending Balance of the Accounts Receivable Collected According to the Arrears Party

The total amount of top five of account receivable of ending balance collected by arrears party was RMB12,677,581.98, 41.15% of total closing balance of account receivable, the relevant ending balance of bad debt provision withdrawn was RMB246,974.31.

## 5. Prepayment

(1) List by Aging Analysis

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	125,311,525.02	96.48	182,122,465.92	99.76
1 to 2 years	4,576,890.83	3.52	145,534.83	0.08

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
2 to 3 years	0.00	0.00		0.00
Over 3 years	0.00	0.00	290,000.00	0.16
<b>Total</b>	<b>129,888,415.85</b>	<b>100.00</b>	<b>182,558,000.75</b>	<b>100.00</b>

(2) Top Five of the Ending Balance of the Prepayment Collected According to the Prepayment Target

The total amount of top five of account receivable of ending balance collected by arrears party was RMB60,552,355.25, 46.62% of total ending balance of account receivable.

**6. Other Accounts Receivable**

Item	Ending balance	Beginning balance
Interest receivable	30,443,178.08	24,923,178.08
Dividend receivable	0.00	0.00
Other accounts receivable	18,085,233.37	18,419,700.14
<b>Total</b>	<b>48,528,411.45</b>	<b>43,342,878.22</b>

(1) Interest Receivable

Item	Ending balance	Beginning balance
Interest of certificate of deposit	30,443,178.08	24,923,178.08
<b>Total</b>	<b>30,443,178.08</b>	<b>24,923,178.08</b>

(2) Other Accounts Receivable

① Other Accounts Receivable Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	40,850,949.35	67.12	40,850,949.35	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	20,009,405.04	32.88	1,924,171.67	9.62	18,085,233.37
Other accounts receivable with insignificant single amount for which bad	0.00	0.00	0.00	0.00	0.00

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
debt provision separately accrued					
Total	60,860,354.39	100.00	42,775,121.02	70.28	18,085,233.37

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	40,850,949.35	67.20	40,850,949.35	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	19,942,837.52	32.80	1,523,137.38	7.64	18,419,700.14
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	60,793,786.87	100.00	42,374,086.73	69.70	18,419,700.14

A. Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

Other accounts receivable (by unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Hengxin Securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	Enter enterprise bankruptcy liquidation
Jianqiao Securities Co., Ltd.	11,840,500.00	11,840,500.00	100.00	Enter enterprise bankruptcy

Other accounts receivable (by unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Hengxin Securities Co., Ltd.	29,010,449.35	29,010,449.35	100.00	Enter enterprise bankruptcy liquidation
				liquidation
<b>Total</b>	<b>40,850,949.35</b>	<b>40,850,949.35</b>	<b>100.00</b>	

**B. In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision**

Aging	Ending balance		
	Other accounts receivable		Other accounts receivable
Within 1 year	17,302,210.29	218,377.57	1.26
[Of which: within 6 months]	16,168,323.61	161,683.24	1.00
[7-12 months]	1,133,886.68	56,694.33	5.00
1 to 2 years	861,702.24	86,170.22	10.00
2 to 3 years	451,737.27	225,868.64	50.00
Over 3 years	1,393,755.24	1,393,755.24	100.00
<b>Total</b>	<b>20,009,405.04</b>	<b>1,924,171.67</b>	<b>9.62</b>

**② Other Account Receivable Classified by Account Nature**

Nature	Ending carrying amount	Beginning carrying amount
Securities investment	40,850,949.35	40,850,949.35
Margin & cash pledge	3,648,377.30	4,749,457.78
Business travel borrowing charges	1,176,663.88	426,435.85
Rent and utilities fee	8,688,782.19	6,786,659.62
Others	6,495,581.67	7,980,284.27
<b>Total</b>	<b>60,860,354.39</b>	<b>60,793,786.87</b>

**③ Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period**

The withdrawn bad debt provision of Reporting Period was of RMB401,034.29.

**④ Particulars of the Actual Verification of Other Accounts Receivable during the Reporting Period**

There was no actual verification of other accounts receivable during the Reporting Period.

⑤ Top 5 of the Ending Balance of the Other Accounts Receivable Collected According to the Arrears Party

Name of the entity	Relationship	Nature	Ending balance	Aging	Proportion (%)	Bad debt provision Ending balance
No.1	Non-related party	Securities investment	29,010,449.35	Over 3 years	47.67	29,010,449.35
No.2	Non-related party	Securities investment	11,840,500.00	Over 3 years	19.46	11,840,500.00
No. 3	Non-related party	Prepayment of oil fee	5,935,503.54	Within 6 months	9.75	59,355.04
No. 4	Non-related party	Cash deposit	640,288.05	Within 6 months	1.05	6,402.88
No. 5	Non-related party	Prepayment of oil fee	500,000.00	Within 6 months	0.82	5,000.00
Total	--	--	47,926,740.94	--	78.75	40,921,707.27

**7. Inventory**

(1) Category of Inventory

Item	Ending balance		
	Carrying amount	Falling price reserves	Carrying value
Raw materials& package	158,807,985.16	19,753,803.07	139,054,182.09
Homemade semi-finished products and goods in process	2,107,408,415.79	0.00	2,107,408,415.79
Finished product	173,141,865.95	2,248,377.42	170,893,488.53
Total	2,439,358,266.90	22,002,180.49	2,417,356,086.41

(Continued)

Item	Beginning balance		
	Carrying amount	Falling price reserves	Carrying value
Raw materials& package	144,856,930.02	13,808,554.40	131,048,375.62
Homemade semi-finished products and goods in process	1,957,452,112.24	0.00	1,957,452,112.24
Finished product	322,031,842.20	3,225,665.20	318,806,177.00
Total	2,424,340,884.46	17,034,219.60	2,407,306,664.86

(2) Falling Price Reserves of Inventory

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Others	Reverse or write-off	Others	
Raw materials& package	13,808,554.40	5,945,248.67	0.00	0.00	0.00	19,753,803.07
Finished product	3,225,665.20	0.00	0.00	977,287.78	0.00	2,248,377.42
<b>Total</b>	<b>17,034,219.60</b>	<b>5,945,248.67</b>	<b>0.00</b>	<b>977,287.78</b>	<b>0.00</b>	<b>22,002,180.49</b>

(3) Withdrawal Provision Basis of the Falling Price of the Inventory and the Reasons of the Reserve or Write-off

Item	Specific basis of withdrawal of falling price reserves of inventory	Reasons for reversal	Reasons for write-off
Raw materials& package	The realizable net value was lower than the cost	--	The raw material withdrawn impairment disposed in Reporting Period
Finished product	The realizable net value was lower than the cost	--	The raw material withdrawn impairment disposed in Reporting Period

**8. Other Current Assets**

Item	Ending balance	Beginning balance
Pledged reverse repurchase of national debt	10,900,000.00	179,900,000.00
Tax to be deducted	18,638,776.67	74,578,687.20
<b>Total</b>	<b>29,538,776.67</b>	<b>254,478,687.20</b>

**9. Current Portion of Non-current Assets**

Item	Ending balance	Beginning balance	Notes
Current portion of non-current assets	300,000,000.00	300,000,000.00	
<b>Total</b>	<b>300,000,000.00</b>	<b>300,000,000.00</b>	

**10. Long-term Equity Investment**

Investee	Beginnin	Increase/decrease
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	g balance	Additio nal investm ent	Reduce d investm ent	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
I.Associa ted enterpris e						
Beijing Guge Trading Co., Ltd.	4,900,000 .00	0.00	0.00	-164,994.19	0.00	0.00
Total	4,900,000 .00	0.00	0.00	-164,994.19	0.00	0.00

(Continued)

Investee	Increase/decrease			Ending balance	Ending balance impairment provision
	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Associated enterprise					
Beijing Guge Trading Co., Ltd.	0.00	0.00	0.00	4,735,005.81	0.00
Total	0.00	0.00	0.00	4,735,005.81	0.00

### 11. Investment Property

Item	Houses and buildings	Land use right	Total
I. Original carrying value			
1. Beginning balance	8,680,555.75	2,644,592.00	11,325,147.75
2. Increased amount of the period	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
(1) Transfer to fixed assets	0.00	0.00	0.00
(2) Other transfer	0.00	0.00	0.00

Item	Houses and buildings	Land use right	Total
4. Ending balance	8,680,555.75	2,644,592.00	11,325,147.75
<b>II. Accumulative depreciation and accumulative amortization</b>			
1. Beginning balance	5,654,245.92	643,673.30	6,297,919.22
2. Increased amount of the period	130,557.96	28,013.28	158,571.24
Withdrawal or amortization	130,557.96	28,013.28	158,571.24
Transfer from fixed assets	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
(1) Transfer to fixed assets	0.00	0.00	0.00
(2) Other transfer	0.00	0.00	0.00
4. Ending balance	5,784,803.88	671,686.58	6,456,490.46
<b>III. Depreciation reserves</b>			
1. Beginning balance	0.00	0.00	0.00
2. Increased amount of the period	0.00	0.00	0.00
Withdrawal	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
(1) Transfer to fixed assets	0.00	0.00	0.00
(2) Other transfer	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00
<b>IV. Carrying value</b>			
1. Ending carrying value	2,895,751.87	1,972,905.42	4,868,657.29
2. Beginning carrying value	3,026,309.83	2,000,918.70	5,027,228.53

## 12. Fixed Assets

Item	Ending balance	Beginning balance
Fixed assets	1,684,243,384.48	1,763,988,530.56
Disposal of fixed assets	0.00	0.00
<b>Total</b>	<b>1,684,243,384.48</b>	<b>1,763,988,530.56</b>

### (1) List of Fixed Assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office equipment and other	Total
I. Original carrying value					
1. Beginning balance	2,006,674,799.70	920,022,112.79	58,064,314.20	157,194,996.51	3,141,956,223.20
2. Increased amount of the period	10,628,048.20	6,493,754.22	2,466,474.24	3,765,714.87	23,353,991.53
(1) Purchase	10,547,596.62	5,568,337.36	2,466,474.24	2,209,832.53	20,792,240.75
(2) Transfer of project under construction	80,451.58	925,416.86	0.00	1,555,882.34	2,561,750.78
(3) Enterprise combination increase	0.00	0.00	0.00	0.00	0.00
(4) Taking back of rental housing	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	186,521.55	4,308,790.12	1,212,091.63	650,860.17	6,358,263.47
(1) Disposal or scrap	186,521.55	4,308,790.12	1,212,091.63	650,860.17	6,358,263.47
(2) Transfer to investment property	0.00	0.00	0.00	0.00	0.00
4. Ending balance	2,017,116,326.35	922,207,076.89	59,318,696.81	160,309,851.21	3,158,951,951.26
II. Accumulative depreciation					
1. Beginning balance	737,756,223.41	495,710,974.90	49,030,197.42	90,459,858.92	1,372,957,254.65
2. Increased amount of the period	35,879,060.65	49,319,894.61	2,484,811.80	14,393,028.27	102,076,795.33
(1) Withdrawal	35,879,060.65	49,319,894.61	2,484,811.80	14,393,028.27	102,076,795.33
(2) Enterprise combination increase	0.00	0.00	0.00	0.00	0.00
(3) Taking back of rental housing	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	163,672.92	3,326,105.71	1,166,618.20	633,731.57	5,290,128.40
(1) Disposal or scrap	163,672.92	3,326,105.71	1,166,618.20	633,731.57	5,290,128.40
(2) Transfer to investment property	0.00	0.00	0.00	0.00	0.00
4. Ending balance	773,471,611.14	541,704,763.80	50,348,391.02	104,219,155.62	1,469,743,921.58
III. Depreciation reserves					
1. Beginning balance	3,396,292.79	1,020,057.51	7,047.07	587,040.62	5,010,437.99
2. Increased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	17,252.98	27,856.30	0.00	683.51	45,792.79
(1) Disposal or scrap	17,252.98	27,856.30	0.00	683.51	45,792.79

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office equipment and other	Total
4. Ending balance	3,379,039.81	992,201.21	7,047.07	586,357.11	4,964,645.20
IV. Carrying value					
1. Ending carrying value	1,240,265,675.40	379,510,111.88	8,963,258.72	55,504,338.48	1,684,243,384.48
2. Beginning carrying value	1,265,522,283.50	423,291,080.38	9,027,069.71	66,148,096.97	1,763,988,530.56

(2) List of Temporarily Idle Fixed Assets

Item	Original carrying value	Accumulative depreciation	Impairment provision	Carrying value	Notes
Houses and buildings	10,553,688.29	7,074,810.79	3,379,039.81	99,837.69	
Machinery equipment	7,337,349.26	6,287,337.89	992,201.21	57,810.16	
Transportation equipment	58,119.66	49,329.00	7,047.07	1,743.59	
Office equipment and others	923,873.41	309,813.59	586,357.11	27,702.71	
Total	18,873,030.62	13,721,291.27	4,964,645.20	187,094.15	

(3) Details of Fixed Assets Failed to Accomplish Certification of Property

Item	Carrying value	Reason
Houses and building	756,078,944.64	In process
Total	756,078,944.64	--

**13. Construction in Progress**

Item	Ending balance	Beginning balance
Construction in process	162,876,312.37	93,320,557.56
Engineering materials	0.00	0.00
Total	162,876,312.37	93,320,557.56

(1) List of Construction in Progress

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Digital marketing system	10,191,844.60	0.00	10,191,844.60	0.00	0.00	0.00

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
SAP ERP system	20,742,671.34	0.00	20,742,671.34	0.00	0.00	0.00
Gujing Party Construction Cultural Center	0.00	0.00	0.00	1,435,187.95	0.00	1,435,187.95
Renovation project of potential safety concerns	1,263,728.57	0.00	1,263,728.57	1,263,728.57	0.00	1,263,728.57
Equipment installation project	9,283,726.61	0.00	9,283,726.61	5,596,060.05	0.00	5,596,060.05
Desulfurization and denitrification project	29,676,888.70	0.00	29,676,888.70	28,768,115.33	0.00	28,768,115.33
Technical improvement project of automation of brewing	43,388,604.05	0.00	43,388,604.05	17,307,839.93	0.00	17,307,839.93
Half open wine library in Gujing plant	33,804,583.10	0.00	33,804,583.10	30,391,615.08	0.00	30,391,615.08
Phase I of Suizhou new factory	4,431,551.81	0.00	4,431,551.81	2,597,498.75	0.00	2,597,498.75
Other projects with small single amount	10,092,713.59	0.00	10,092,713.59	5,960,511.90	0.00	5,960,511.90
<b>Total</b>	<b>162,876,312.37</b>	<b>0.00</b>	<b>162,876,312.37</b>	<b>93,320,557.56</b>	<b>0.00</b>	<b>93,320,557.56</b>

(2) Changes of Significant Construction in Progress

Name of item	Estimated number	Beginning balance	Increase Amount	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Ending balance
Digital marketing system	3,500.00	0.00	10,191,844.60	0.00	0.00	10,191,844.60
SAP, ERP system	4,450.00	0.00	20,742,671.34	0.00	0.00	20,742,671.34
Gujing Party Construction Cultural Center	1,160.00	1,435,187.95	2,319,051.71	0.00	3,754,239.66	0.00
Renovation project of potential safety concerns	18,010.76	1,263,728.57	0.00	0.00	0.00	1,263,728.57
Equipment installation project	10,834.65	5,596,060.05	3,687,666.56	0.00	0.00	9,283,726.61
Desulfurization and denitrification project	7,176.00	28,768,115.33	908,773.37	0.00	0.00	29,676,888.70
Technical improvement project of automation of brewing	27,430.00	17,307,839.93	26,080,764.12	0.00	0.00	43,388,604.05
Half open wine library in Gujing plant	11,194.15	30,391,615.08	3,412,968.02	0.00	0.00	33,804,583.10
Phase I of Suizhou new factory	26,000.00	2,597,498.75	1,834,053.06	0.00	0.00	4,431,551.81
Other projects with small single amount	7,628.67	5,960,511.90	9,772,036.59	2,561,750.78	3,078,084.12	10,092,713.59

Name of item	Estimated number	Beginning balance	Increase Amount	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Ending balance
Total	117,384. 23	93,320,557. 56	78,949,829. 37	2,561,750. 78	6,832,323. 78	162,876,312 .37

(Continued)

Project name	Proportion estimated of the project accumulative input (%)	Project Progress (%)	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period (%)	Capital resources
Digital marketing system	29.12	65.00	0.00	0.00	0.00	Self-owned fund
SAP, ERP system	46.61	60.00	0.00	0.00	0.00	Self-owned fund
Gujing Party Construction Cultural Center	81.87	100.00	0.00	0.00	0.00	Self-owned fund
Renovation project of potential safety concerns	82.00	93.00	0.00	0.00	0.00	Self-owned fund
Equipment installation project	17.02	30.00	0.00	0.00	0.00	Self-owned fund
Desulfurization and denitrification project	41.67	96.00	0.00	0.00	0.00	Self-owned fund
Technical improvement project of automation of brewing	19.06	19.00	0.00	0.00	0.00	Self-owned fund
Half open wine library in Gujing plant	69.06	97.00	0.00	0.00	0.00	Self-owned fund
Phase I of Suizhou new factory	1.70	5.00	0.00	0.00	0.00	Self-owned

Project name	Proportion estimated of the project accumulative input (%)	Project Progress (%)	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period (%)	Capital resources
						fund
Other projects with small single amount	82.13	82.00	0.00	0.00	0.00	Self-owned fund
Total	--	--	0.00	0.00	0.00	--

#### 14. Intangible Assets

Item	Land use right	Patent right	Software	Trademark	Total
<b>I. Original carrying value</b>					
1. Beginning balance	683,451,302.56	45,889,466.19	32,106,185.73	169,116,600.00	930,563,554.48
2. Increased amount of the period	0.00	0.00	3,151,610.32	0.00	3,151,610.32
(1) Purchase	0.00	0.00	188,679.29	0.00	188,679.29
(2) Internal R & D	0.00	0.00	0.00	0.00	0.00
(3) Transfer of construction in progress	0.00	0.00	2,962,931.03	0.00	2,962,931.03
3. Decreased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	683,451,302.56	45,889,466.19	35,257,796.05	169,116,600.00	933,715,164.80
<b>II. Accumulated amortization</b>					
1. Beginning balance	129,394,359.27	45,769,591.73	12,944,725.23	371,269.15	188,479,945.38
2. Increased amount of the period	7,191,799.45	24,038.88	4,979,696.88	0.00	12,195,535.21
(1) Withdrawal	7,191,799.45	24,038.88	4,979,696.88	0.00	12,195,535.21
3. Decreased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00

Item	Land use right	Patent right	Software	Trademark	Total
4. Ending balance	136,586,158.72	45,793,630.61	17,924,422.11	371,269.15	200,675,480.59
<b>III. Depreciation reserves</b>					
1. Beginning balance	0.00	0.00	0.00	0.00	0.00
2. Increased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
<b>IV. Carrying value</b>					
1. Ending carrying value	546,865,143.84	95,835.58	17,333,373.94	168,745,330.85	733,039,684.21
2. Beginning carrying value	554,056,943.29	119,874.46	19,161,460.50	168,745,330.85	742,083,609.10

### 15. Goodwill

Item	Beginning balance	Increase		Decrease		Ending balance
		Generated from enterprise merger	Other	Disposal	Other	
Yellow Crane Tower Distillery Co., Ltd.	478,283,495.29	0.00	0.00	0.00	0.00	478,283,495.29
<b>Total</b>	<b>478,283,495.29</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>478,283,495.29</b>

### 16. Long-term Unamortized Expenses

Item	Beginning balance	Increased amount	Amortization amount	Other decrease	Ending balance
Experience center	36,671,977.31	36,354.70	4,748,907.28	0.00	31,959,424.73
Pottery jar warehouse	6,244,584.78	0.00	2,203,971.00	0.00	4,040,613.78
Sewage Treatment Project	3,050,000.00	1,640,000.00	461,311.50	0.00	4,228,688.50
Yellow Crane Tower Chateau and museum	16,531,666.46	0.00	2,328,900.37	0.00	14,202,766.09
Gujing Party Construction	5,909,090.91	3,754,239.66	1,112,331.25	0.00	8,550,999.32

Item	Beginning balance	Increased amount	Amortization amount	Other decrease	Ending balance
Cultural Center					
Other projects with small single amount	15,154,154.00	267,253.54	2,631,299.17	0.00	12,790,108.37
<b>Total</b>	<b>83,561,473.46</b>	<b>5,697,847.90</b>	<b>13,486,720.57</b>	<b>0.00</b>	<b>75,772,600.79</b>

## 17. Deferred Income Tax Assets/Deferred Income Tax Liabilities

### (1) List of Deferred Income Tax Assets

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Bad debt provision	43,499,945.40	10,866,529.15	43,023,376.00	10,749,392.31
Impairment of inventories	21,985,965.74	5,461,318.38	17,018,004.85	4,219,328.16
Impairment provision of the fixed assets	4,964,645.20	1,241,161.31	5,010,437.99	1,252,609.50
Deferred income	74,300,122.46	18,308,505.09	76,636,500.55	18,877,272.61
Accrued expenses and discount	437,378,318.85	109,344,579.72	153,988,413.40	38,497,103.35
Deductible losses	1,768,111.99	410,365.65	111,851.71	5,592.58
Unrealized internal profits	17,201,753.99	4,285,249.29	16,788,054.95	4,181,824.54
Change of fair value of trading financial assets	0.00	0.00	117,161.92	29,290.48
Deducted payroll payable carryingforward to the next period	0.00	0.00	35,071,030.14	8,767,757.53
<b>Total</b>	<b>601,098,863.63</b>	<b>149,917,708.59</b>	<b>347,764,831.51</b>	<b>86,580,171.06</b>

### (2) Lists of Deferred Income Tax Liabilities

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Change of fair value of trading	17,596,291.10	4,399,072.78	0.00	0.00

financial assets				
Change in fair value of available-for-sale financial assets			6,393,107.46	1,598,276.87
accelerated depreciation of difference of fixed assets	12,591,595.58	3,147,898.89	12,921,842.60	3,230,460.65
Asset evaluation increment of business combination not under the same control	387,776,186.92	96,944,046.73	391,743,110.36	97,935,777.59
Total	417,964,073.60	104,491,018.40	411,058,060.42	102,764,515.11

(3) List of Unrecognized Deferred Income Tax Assets

Item	Ending balance	Beginning balance
Deductible temporary difference	16,214.75	16,214.75
Deductible losses	5,432,144.69	5,089,008.12
Total	5,448,359.44	5,105,222.87

**18. Other Non-current Assets**

Item	Ending balance	Beginning balance
Certificate of deposit	200,000,000.00	0.00
Prepayment of equipment and house purchase	574,026.00	16,544,407.51
Total	200,574,026.00	16,544,407.51

**19. Notes Payable**

Category	Ending balance	Beginning balance
Bank acceptance bill	428,927,100.00	320,554,500.00
Trade acceptance	47,881,240.53	28,648,913.72
Total	476,808,340.53	349,203,413.72

**20. Accounts Payable**

(1) List of Accounts Payable

Item	Ending balance	Beginning balance
Payment for materials	205,184,631.16	277,765,943.47
Prepayment for projects and equipment	67,828,201.29	111,498,555.89
Others	64,520,149.31	95,688,099.23

Item	Ending balance	Beginning balance
Total	337,532,981.76	484,952,598.59

(2) Significant Accounts Payable Aging over One Year

Item	Ending balance	Unpaid/ Un-carry-over reason
A Company	1,115,215.57	Final payment of the project
B Company	7,544,026.71	Final payment of the project
C Company	3,744,927.40	Final payment of the project
D Company	1,300,000.00	Final payment of the project
E Company	3,445,131.03	Final payment of the project
Total	17,149,300.71	--

**21. Advance from Customers**

Item	Ending balance	Beginning balance
Loans	517,109,674.60	1,149,143,310.48
Total	517,109,674.60	1,149,143,310.48

**22. Payroll Payable**

(1) List of Payroll Payable

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	456,935,872.94	787,677,386.74	934,115,923.79	310,497,335.89
II. Post-employment benefit-defined contribution plans	363,603.49	69,442,152.68	69,456,442.83	349,313.34
III. Termination benefits	0.00	0.00	0.00	0.00
IV. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	457,299,476.43	857,119,539.42	1,003,572,366.62	310,846,649.23

(2) List of Short-term Salary

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	371,643,470.87	709,042,606.80	850,536,199.87	230,149,877.80
2. Employee welfare	6,468,163.00	9,972,320.26	16,440,483.26	0.00
3. Social insurance	233,210.91	27,163,747.13	27,393,663.48	3,294.56

Item	Beginning balance	Increase	Decrease	Ending balance
Of which: Medical insurance premiums	226,816.90	24,127,024.75	24,350,547.09	3,294.56
Work-related injury insurance	1,487.67	949,793.30	951,280.97	0.00
Maternity insurance	4,906.34	2,086,929.08	2,091,835.42	0.00
4. Housing fund	2,867,327.46	30,502,119.49	29,425,126.35	3,944,320.60
5.Labor union budget and employee education budget	75,723,700.70	10,996,593.06	10,320,450.83	76,399,842.93
6. Short-term paid absence	0.00	0.00	0.00	0.00
7. Short-term profits sharing plan	0.00	0.00	0.00	0.00
<b>Total</b>	<b>456,935,872.94</b>	<b>787,677,386.74</b>	<b>934,115,923.79</b>	<b>310,497,335.89</b>

### (3) List of Drawing Scheme

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits	347,894.88	66,950,290.72	66,948,872.26	349,313.34
2. Unemployment insurance	15,708.61	2,491,861.96	2,507,570.57	0.00
<b>Total</b>	<b>363,603.49</b>	<b>69,442,152.68</b>	<b>69,456,442.83</b>	<b>349,313.34</b>

### 23. Taxes Payable

Item	Ending balance	Beginning balance
VAT	89,384,986.50	162,028,367.23
Consumption tax	113,591,123.33	99,133,181.43
Corporate income tax	139,532,581.81	75,107,410.70
Personal income tax	1,564,596.45	1,307,281.11
Urban maintenance and construction tax	10,863,973.17	13,142,342.60
Stamp tax	746,938.60	549,270.06
Education Surcharge	10,275,939.43	12,301,477.16
Others	2,783,142.76	9,424,293.89
<b>Total</b>	<b>368,743,282.05</b>	<b>372,993,624.18</b>

### 24. Other Accounts Payable

Nature	Ending balance	Beginning balance
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Nature	Ending balance	Beginning balance
Interest payable	0.00	0.00
Dividend payable	0.00	0.00
Other accounts payable	1,337,734,331.13	1,192,020,147.82
<b>Total</b>	<b>1,337,734,331.13</b>	<b>1,192,020,147.82</b>

(1) Other Accounts Payable

① Listed by Account Nature

Nature	Ending balance	Beginning balance
Margin and cash pledge	1,211,205,092.51	1,064,059,562.95
Business travel charges advance	72,197.21	145,447.82
Quality guarantee deposit	33,390,136.01	14,693,150.14
Housing deduction	3,944,320.60	2,867,327.46
Unsettled sales discount	18,404,995.42	30,212,626.88
Others	70,717,589.38	80,042,032.57
<b>Total</b>	<b>1,337,734,331.13</b>	<b>1,192,020,147.82</b>

② Significant Accounts Payable Aging over One Year

There is no significant account payable aging over one year at the end of period.

**25. Other Current Liabilities**

Item	Ending balance	Beginning balance
Accrued expenses	443,198,383.65	295,164,745.44
<b>Total</b>	<b>443,198,383.65</b>	<b>295,164,745.44</b>

**26. Deferred Revenue**

Item	Beginning balance	Increase	Decrease	Ending balance	Formed reason
Government subsidies	76,636,500.55	113,800.00	2,450,178.09	74,300,122.46	Related to assets
<b>Total</b>	<b>76,636,500.55</b>	<b>113,800.00</b>	<b>2,450,178.09</b>	<b>74,300,122.46</b>	--

Of which, items involved in government subsidies:

Item	Beginning balance	Newly-increased amount of subsidy	Recorded into non-operating revenue	Recorded into other income	Other changes	Ending balance	Related to assets/related to income

Item	Beginning balance	Newly-increased amount of subsidy	Recorded into non-operating revenue	Recorded into other income	Other changes	Ending balance	Related to assets/related to income
Technical reform of wine production system	255,208.43	0.00	0.00	31,249.98	0.00	223,958.45	Related to the assets
Instruments subsidies	992,250.00	0.00	0.00	110,250.00	0.00	882,000.00	Related to the assets
Intelligent solid brewing technology innovation project	151,041.57	0.00	0.00	15,625.02	0.00	135,416.55	Related to the assets
Anhui service industry development guide fund	1,087,805.00	0.00	0.00	146,341.44	0.00	941,463.56	Related to the assets
Anhui innovative province construction independent innovation ability construction subsidy	2,678,665.00	0.00	0.00	365,272.50	0.00	2,313,392.50	Related to the assets
Energy-saving and reform project of coal-fired industry boiler and glass furnace	12,750.00	0.00	0.00	12,750.00	0.00	0.00	Related to the assets
Bozhou city logistics center project	60,000.00	0.00	0.00	30,000.00	0.00	30,000.00	Related to the assets
Equipment subsidy	1,252,062.37	0.00	0.00	101,399.82	0.00	1,150,662.55	Related to the assets
Financial subsidy for technology innovation	415,930.90	0.00	0.00	267,110.76	0.00	148,820.14	Related to the assets
Special fund to enterprise development	52,500.00	0.00	0.00	15,000.00	0.00	37,500.00	Related to the assets
Iot traceability system project	2,970,000.00	0.00	0.00	556,875.00	0.00	2,413,125.00	Related to assets
Infrastructure subsidies of Suizhou new factory	35,338,000.00	0.00	0.00	0.00	0.00	35,338,000.00	Related to assets
Motor and boiler energy-saving reform project	412,500.20	0.00	0.00	68,749.98	0.00	343,750.22	Related to assets
Automated storage hook and	359,375.00	0.00	0.00	46,875.00	0.00	312,500.00	Related to assets

Item	Beginning balance	Newly-increased amount of subsidy	Recorded into non-operating revenue	Recorded into other income	Other changes	Ending balance	Related to assets/related to income
product quality online monitoring							
Research fund on smart Koji-making technology	886,200.00	113,800.00	0.00	0.00	0.00	1,000,000.00	Related to assets
Renovation of Gujing Zhangji Spirit Room	882,708.39	0.00	0.00	23,749.98	0.00	858,958.41	Related to assets
Food security enhancement project	827,586.25	0.00	0.00	68,965.50	0.00	758,620.75	Related to assets
Key technical cooperation on isotopic authenticity of important food	600,000.00	0.00	0.00	0.00	0.00	600,000.00	Related to assets
Comprehensive subsidies for air pollution prevention	2,608,083.33	0.00	0.00	131,500.02	0.00	2,476,583.31	Related to assets
Fund of strategic emerging industries cluster development foundation	1,020,800.00	0.00	0.00	111,360.00	0.00	909,440.00	Related to assets
Land refund	23,113,034.11	0.00	0.00	275,103.09	0.00	22,837,931.02	Related to assets
Special fund to power demand side management	660,000.00	0.00	0.00	72,000.00	0.00	588,000.00	Related to assets
<b>Total</b>	<b>76,636,500.55</b>	<b>113,800.00</b>	<b>0.00</b>	<b>2,450,178.09</b>	<b>0.00</b>	<b>74,300,122.46</b>	<b>--</b>

## 27. Share Capital

Item	Beginning balance	Increase/decrease in Reporting Period (+/-)					Ending balance
		Newly issue share	Bonus shares	Bonus issue from profit	Others	Subtotal	
The sum of shares	503,600,000.00	0.00	0.00	0.00	0.00	0.00	503,600,000.00

## 28. Capital Reserves

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium	1,262,552,456.05	0.00	0.00	1,262,552,456.05

Item	Beginning balance	Increase	Decrease	Ending balance
Other capital reserves	32,853,136.20	0.00	0.00	32,853,136.20
Total	1,295,405,592.25	0.00	0.00	1,295,405,592.25

### 29. Surplus Reserves

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	256,902,260.27	0.00	0.00	256,902,260.27
Total	256,902,260.27	0.00	0.00	256,902,260.27

Notes: Based on the regulations of the Corporation Law and Article of Association, the Company should withdraw 10% of the statutory surplus reserves according to the net profits. If the accumulated amount of the statutory surplus reserves exceeded the 50% of the registered capital, the Company could no more withdraw.

### 30. Retained Profits

Item	Reporting Period	Same period of last year
Beginning balance of retained profits before adjustments	5,541,281,341.47	4,349,649,698.42
Total beginning balance of retained profits before adjustments (Increase+, decrease-)	4,794,830.59	0.00
Beginning balance of retained profits after adjustments	5,546,076,172.06	4,349,649,698.42
Add: Net profit attributable to owners of the Company	1,248,316,314.01	1,695,231,643.05
Less: Withdrawal of statutory surplus reserves	0.00	0.00
Withdrawal of discretionary surplus reserves	0.00	0.00
Withdrawal of generic risk reserve	0.00	0.00
Dividend of common stock payable	755,400,000.00	503,600,000.00
Dividend of common stock transfer into share capital	0.00	0.00
Ending retained profits	6,038,992,486.07	5,541,281,341.47

### 31. Operating Revenues and Costs

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	5,958,624,293.86	1,380,565,871.04	4,761,127,411.98	1,030,168,914.20
Other operations	29,488,705.23	13,590,863.51	21,956,483.35	12,506,554.04
Total	5,988,112,999.09	1,394,156,734.55	4,783,083,895.33	1,042,675,468.24

### 32. Business Taxes and Surcharges

Item	Reporting Period	Same period of last year
Consumption tax	711,806,689.93	563,325,650.24
Urban maintenance, construction tax and educational surcharge	138,007,221.23	142,213,013.80
Urban land use tax	3,447,726.79	6,015,282.37
Real estate tax	4,547,732.36	8,375,687.33
Stamp duty	5,043,756.63	3,804,040.42
Others	6,674,635.10	5,733,499.37
Total	869,527,762.04	729,467,173.53

Note: The measurement standards of business tax and surcharges see Notes V. Taxation.

### 33. Sales Expenses

Item	Reporting Period	Same period of last year
Employee's remuneration	197,359,561.67	136,422,226.05
Business travel charges	60,001,666.01	46,668,654.04
Advertising expense	442,193,538.62	340,669,501.89
Transport fees	27,580,054.90	26,869,004.77
Comprehensive promotion fees	787,961,795.81	815,172,181.29
Labor cost	281,570,342.23	194,269,250.64
Other sales expenses	43,822,480.46	37,229,496.49
Total	1,840,489,439.70	1,597,300,315.17

### 34. Administration Expenses

Item	Reporting Period	Same period of last year
Employee's remuneration	180,945,738.54	156,429,758.02
Office expenses	17,415,335.29	15,386,308.57
Repair charge	17,708,807.57	30,444,032.33
Depreciation charge	30,873,944.56	29,064,059.09
Amortization of intangible assets	9,656,033.10	8,489,059.99
Sewage charge	9,730,796.01	6,066,176.72

Item	Reporting Period	Same period of last year
Business travel charges	1,375,252.69	1,093,709.89
Water & electricity fees	6,162,660.18	5,668,025.21
Others	28,176,889.19	19,832,073.54
<b>Total</b>	<b>302,045,457.13</b>	<b>272,473,203.36</b>

### 35. R&D Expenses

Item	Reporting Period	Same period of last year
Employee's remuneration	8,702,736.52	4,225,844.44
Direct input expense	1,225,388.53	665,769.98
Depreciation expense	1,633,752.38	1,071,724.10
Other related expense	3,102,360.24	2,063,795.84
<b>Total</b>	<b>14,664,237.67</b>	<b>8,027,134.36</b>

### 36. Financial Expenses

Item	Reporting Period	Same period of last year
Interest expenses	14,173,972.09	0.00
Less: Interest income	20,466,649.02	21,644,883.48
Exchange gains and losses	1,577,281.36	608,331.71
Others	412,770.27	751,645.22
<b>Total</b>	<b>-4,302,625.30</b>	<b>-20,284,906.55</b>

Note: The interest expenses in the Reporting period are the discount interest of bank acceptance bills.

### 37. Asset Impairment Loss

Item	Reporting Period	Same period of last year
Bad debt loss	-476,569.40	105,638.14
Inventory falling price loss	-5,945,248.67	-1,277,549.50
<b>Total</b>	<b>-6,421,818.07</b>	<b>-1,171,911.36</b>

### 38. Gain on Changes in Fair Value

Sources	Reporting Period	Same period of last year
Trading financial assets	11,320,345.56	236,707.77
Of which: gains on changes in fair value of derivative financial assets	0.00	0.00

Sources	Reporting Period	Same period of last year
Total	11,320,345.56	236,707.77

### 39. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	-164,994.19	0.00
Investment income from disposal of long-term equity investment		
Investment income from holding of trading financial assets		
Investment income from disposal of trading financial assets	0.00	1,271,471.00
Dividend income from holding of other equity instrument investment		
Investment income from holding of held-to-maturity investment	0.00	0.00
Investment income from holding of available-for-sale financial assets	0.00	50,743,630.89
Investment income from disposal of available-for-sale financial assets	0.00	10,999,123.54
Investment income from disposal of held-to-maturity investment		
Income from remeasurement of residual stock rights at fair value after losing control power		
Interest income from holding of creditors' investment		
Interest income from holding of other creditors' investment		
Interest income from disposal of other creditors' investment		
Other investment income	77,512,041.72	5,760,794.52
Total	77,347,047.53	68,775,019.95

### 40. Asset Disposal Income

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Fixed assets disposal income	119,488.56	154,437.81	119,488.56

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Total	119,488.56	154,437.81	119,488.56

#### 41. Other Income

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Tax rebates	15,816,253.89	1,426,552.29	15,816,253.89
Amortization of differed income	2,450,178.09	2,566,383.76	2,450,178.09
Government subsidy related to routine business activities	12,517,486.70	494,100.00	12,517,486.70
Total	30,783,918.68	4,487,036.05	30,783,918.68

#### 42. Non-operating Income

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Gains from damage or scrap of non-current assets	146,982.76	728,876.14	146,982.76
Government subsidy unrelated to routine business activities	20,000.00	221,000.00	20,000.00
Income from penalty and compensations	9,154,446.13	7,587,991.61	9,154,446.13
Sales of scrap	1,527,143.43	5,808,369.37	1,527,143.43
Other	302,191.21	412,560.64	302,191.21
Total	11,150,763.53	14,758,797.76	11,150,763.53

Government subsidies recorded into current profit or loss:

Item	Reporting Period			Same period of last year			Related to the assets/related to income
	Recorded into non-operating income	Recorded into other income	Offset costs	Recorded into non-operating income	Recorded into other income	Offset costs	
Other rewards	20,000.00	0.00	0.00	21,000.00	0.00	0.00	Related to income

Item	Reporting Period			Same period of last year			Related to the assets/related to income
	Recorded into non-operating income	Recorded into other income	Offset costs	Recorded into non-operating income	Recorded into other income	Offset costs	
Reward of taxpayer in Xianning high-tech zone	0.00	0.00	0.00	100,000.00	0.00	0.00	Related to income
Fund for postdoctoral innovation practice base	0.00	0.00	0.00	100,000.00	0.00	0.00	Related to income
Total	20,000.00	0.00	0.00	221,000.00	0.00	0.00	--

### 43. Non-operating Expense

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Losses on damage or scrap of non-current assets	576,926.25	4,303,286.91	576,926.25
Other	1,160,684.82	134,726.13	1,160,684.82
Total	1,737,611.07	4,438,013.04	1,737,611.07

### 44. Income Tax Expense

#### (1) List of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	479,158,161.69	452,080,424.72
Deferred income tax expense	-60,012,757.38	-131,290,509.48
Total	419,145,404.31	320,789,915.24

### 45. Cash Flow Statement

#### (1) Cash Generated from Other Operating Activities

Item	Reporting Period	Same period of last year
Margin	103,959,881.28	52,007,634.47
Government subsidies	11,786,600.00	615,100.00
Interest income	20,466,649.02	21,644,883.48
Recovery of restricted monetary capital	100,200,000.00	460,000,000.00

Item	Reporting Period	Same period of last year
Other	40,318,774.38	43,953,555.36
Total	276,731,904.68	578,221,173.31

(2) Cash Used in Other Operating Activities

Item	Reporting Period	Same period of last year
Cash paid in selling expense and administrative expense	657,188,029.24	526,682,839.55
Pledged fixed term deposits used to issue notes payable or cash deposit of notes	13,960,226.78	45,000,000.00
Structural deposit not withdrawable in advance	0.00	0.00
Other	25,350,534.61	49,502,450.93
Total	696,498,790.63	621,185,290.48

**46. Supplemental Information for Cash Flow Statement**

(1) Supplemental Information for Cash Flow Statement

Supplemental information	Reporting Period	Same period of last year
<b>1. Reconciliation of net profit to net cash flows generated from operating activities</b>		
Net profit	1,274,948,723.71	915,437,666.92
Add: Provision for impairment of assets	6,421,818.07	1,171,911.36
Depreciation of fixed assets, oil-gas assets, and productive living assets	102,076,795.33	96,520,768.95
Amortization of investment property	158,571.24	168,913.08
Amortization of intangible assets	12,195,535.21	8,489,059.99
Amortization of long-term prepaid expenses	13,486,720.57	10,844,242.64
Losses on disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-119,488.56	154,437.81
Losses on scrap of fixed assets (gains: negative)	429,943.49	3,574,410.77
Losses from variation of fair value (gains: negative)	-11,320,345.56	-236,707.77
Finance costs (gains: negative)	14,173,972.09	608,331.71
Investment loss (gains: negative)	-77,347,047.53	-68,775,019.95
Decrease in deferred income tax assets (gains: negative)	-63,337,537.53	-131,582,903.72
Increase in deferred income tax liabilities ("-" means decrease)	3,324,780.16	292,394.23

Supplemental information	Reporting Period	Same period of last year
Decrease in inventory (gains: negative)	-14,040,094.66	-77,733,707.57
Decrease in accounts receivable generated from operating activities (gains: negative)	146,484,134.95	-1,205,967,657.32
Increase in accounts payable used in operating activities (decrease: negative)	-463,552,554.06	708,414,366.71
Amortization of deferred income	-2,450,178.09	2,566,383.76
Certificate of deposit	100,200,000.00	405,000,000.00
Net cash generated from/used in operating activities	1,041,733,748.83	668,946,891.61
<b>2. Significant investing and financing activities without involvement of cash receipts and payments</b>		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds due within one year	0.00	0.00
Fixed assets under financing lease	0.00	0.00
<b>3. Net increase/decrease of cash and cash equivalents:</b>		
Ending balance of cash	2,395,374,286.79	922,785,957.41
Less: Beginning balance of cash	835,560,865.12	1,024,088,626.40
Add: Ending balance of cash equivalents	0.00	0.00
Less: Beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	1,559,813,421.67	-101,302,668.99

(2) Cash and Cash Equivalent

Item	Ending balance	Beginning balance
I. Cash	2,395,374,286.79	835,560,865.12
Of which: cash on hand	374,122.81	353,429.67
Bank deposits on demand	2,394,869,696.55	835,175,643.46
Other monetary funds on demand	130,467.43	31,791.99
II. Cash and cash equivalents	0.00	0.00
Of which: Bond investment due within three months	0.00	0.00
III. Ending balance of cash and cash equivalents	2,395,374,286.79	835,560,865.12

(3) Non-cash Negotiability Amount of Trade Bills

Item	Reporting Period
Negotiability amount of trade bills	639,142,983.76
Of which: Payment for goods	630,885,014.82
Purchase of fixed assets and other long-term assets	8,257,968.94

#### 47. Assets with Restricted Ownership or Use Right

Item	Ending carrying value	Restriction reason
Other monetary capital	770,000,000.00	Structural deposit not withdrawable in advance, due within 3 months
Notes receivable	159,686,231.66	Pledge for issuing bank acceptance bill
Other monetary capital	13,960,226.78	Bill deposit
Total	943,646,458.44	--

#### 48. Government Subsidy

##### (1) Information of Government Subsidy

Category	Amount	Presented item	Amount recorded into current profit or loss
Tax rebates	15,816,253.89	Other income	15,816,253.89
Project fund of 2018 manufacturing industry province	9,180,000.00	Other income	9,180,000.00
Reward of demonstration enterprise in national intellectual property	1,200,000.00	Other income	1,200,000.00
Subsidy for stabilizing posts of unemployment insurance fund	2,000.00	Other income	2,000.00
Subsidy of Bureau of Science and Technology of Xianning	50,000.00	Other income	50,000.00
Subsidy for special workstation of Bureau of Science and Technology of Wuhan	200,000.00	Other income	200,000.00
Fund for industrial enterprise technology project in Xianning high-tech zone	200,000.00	Other income	200,000.00
Reward of Bureau of Science and Technology of Bozhou	50,000.00	Other income	50,000.00
Fund for robot project of Economy and Information Technology Committee	300,000.00	Other income	300,000.00
Research fund on smart Koji-making technology	113,800.00	Deferred income	0.00

Category	Amount	Presented item	Amount recorded into current profit or loss
Other rewards	470,800.00	Other income	470,800.00
Additional deduction of VAT	864,686.70	Other income	864,686.70
Other rewards	20,000.00	Non-operating income	20,000.00
Total	28,467,540.59	--	28,353,740.59

(2) The Return of Government Subsidy in the Reporting Period

There is no return of government subsidy in the Reporting Period.

**VII. Changes of Consolidation Scope**

The subsidiary, Hubei Yellow Crane Tower Beverage Co., Ltd. is newly established in the Reporting Period.

**VIII. Equity in Other Entities**

**1. Equity in Subsidiary**

**(1) Subsidiaries**

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Bozhou Gujing Sales Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Business trading	100.00		Investment
Anhui Longrui Glass Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Production	100.00		Investment
Bozhou Gujing Waste Reclamation Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Waste cycled	100.00		Investment
Anhui Jinyunlai Culture & Media Co., Ltd.	Hefei Anhui	Hefei Anhui	Ads marketing	100.00		Investment
Anhui Swisse Will Science & Technology Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Technology research	100.00		Investment
Anhui Subway Cordial Wine Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Production	100.00		Investment
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Shanghai	Shanghai	Hotel management	100.00		Business combination under the same control

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Bozhou Gujing Hotel Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Hotel operating	100.00		Business combination under the same control
Anhui Yuanqing Environmental Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Sewage Treatment	100.00		Investment
Anhui Gujing Cloud E-commerce Co., Ltd.	Hefei, Anhui	Hefei, Anhui	E-commerce	100.00		Investment
Anhui Zhenrui Construction Engineering Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Engineering construction	100.00		Investment
Anhui RunAnXinKe Testing Technology Co., Ltd	Bozhou, Anhui	Bozhou, Anhui	Food detection	100.00		Investment
Wuhan Pride Yellow Crane Tower Distillery Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Production	51.00		Business combination not under the same control
Pride Yellow Crane Tower Distillery (Xianning) Co., Ltd.	Xianning, Hubei	Xianning, Hubei	Production		51.00	Business combination not under the same control
Hubei Yellow Crane Tower Distillery Co., Ltd.	Suizhou, Hubei	Suizhou, Hubei	Production		51.00	Business combination not under the same control
Tian Long Jin Di (Wuhan) Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Commercial trade		51.00	Business combination not under the same control
Xianning Junhe Sales Co., Ltd.	Xianning, Hubei	Xianning, Hubei	Commercial trade		51.00	Business combination not under the same control
Hubei Junhe Advertising Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Ads marketing		51.00	Business combination not under the same control
Wuhan Junya Shibo Technology Co.,	Wuhan,	Wuhan, Hubei	Technology		51.00	Investment

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Ltd.	Hubei		development			
Wuhan Junya Sales Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Commercial trade		51.00	Investment
Suizhou Junhe Trading Co., Ltd.	Suizhou, Hubei	Suizhou, Hubei	Business trading		51.00	Investment
Hubei Yellow Crane Tower Beverage Co., Ltd.	Xianning, Hubei	Xianning, Hubei	Business trading		51.00	Investment

Note: Hubei Yellow Crane Tower Beverage Co., Ltd. is set up in March 2019.

### The Composition of the Company

#### (2) Significant Not Wholly-owned Subsidiary

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to non-controlling interests	Declaring dividends distributed to non-controlling interests	Ending balance of non-controlling interests
Wuhan Pride Yellow Crane Tower Distillery Co., Ltd.	49.00	26,632,409.70	0.00	454,398,502.52

#### (3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Name	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Wuhan Pride Yellow Crane Tower Distillery Co., Ltd	647,335,956.02	713,870,487.69	1,361,206,443.71	300,618,523.68	133,244,037.34	433,862,561.02

#### (Continued 1)

Name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Wuhan Pride Yellow Crane Tower Distillery	587,458,925.80	731,191,284.72	1,318,650,210.52	311,342,786.19	134,315,398.16	445,658,184.35

Name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Co., Ltd						

(Continued 2)

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Wuhan Pride Yellow Crane Tower Distillery Co., Ltd.	457,947,025.03	54,351,856.52	54,351,856.52	39,866,055.42	429,495,365.21	46,956,428.75	46,956,428.75	73,102,943.91

## IX. The Risk Related to Financial Instruments

The main financial instruments of the Company are equity investment, financial product, trust investment, accounts receivable and accounts payable, etc, the specific explanation of each financial instrument are in relevant item of Note VI. Risk related to these financial instruments and the risk management policies the Company adopted to reduce the risk is as follows: the management of the Company monitors and manages the risk exposure to ensure the aforesaid risk within the limit scope of control.

### (I) Risk Management Objectives and Policies

The goals of the Company is to maintain a proper balance between the risk and the income, reduce the negative influence of risk to the operation performance of the Company to a minimum, and maximize profits of shareholders and other equity investors, basing on the risk management goal, the Company basis policies are to recognize and analyze each risk the Company faced, establish proper risk bottom line and conduct risk management, timely and reliably supervise each risk, control the risks within the limit scope .

#### 1. Market Risk

##### (1) Foreign Exchange Risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. Foreign exchange risk is referred to the risk of loss from the change of exchange rate. The main operation of the Company is within the territory of China, mainly settled by RMB, only small amount of export business and

the influence of the proportion in the total income is rather small; the exchange rate risk is very little.

(2) Interest Rate Risk- Cash Flow Change Risk

The operation capital of the Company is sufficient, there is no external borrowing in the Company; the interest rate risk is very little.

(3) Other Price Risk

What the Company held are classified as available-for-sale financial assets and trading financial assets measured at fair value on balance sheet date. Thus, the Company bears the risk change of securities market. The Company adopts variety of equity group to reduce the price risk in equity security investment.

**2. Credit Risk**

On 30 June 2019, the largest credit risk exposure what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company’s financial assets and financial guarantee, which including: carrying value of financial assets recognized in consolidated balance sheet; as for the financial instruments measured at fair value, the carrying value reflects its risk exposure, but not the largest one, the largest risk exposure will change when the future fair value changes.

The Company only trade with the third party authorized with good credit and large scale. In line with the policies of the Company and the items of sale contracts, the Company gives priority to first payment shipment, only small amount of credit transactions and examines and verifies the credit of the client who trading with by credit way.

The Company’s working capital was in bank with higher credit rating, so credit risk of working capital was low.

**3. Liquidity Risk**

When managing liquidity risk, the Company maintained the management’s believe that supervising the sufficient cash and cash equivalents to meet the operating demand of the Company and reduce the influence of the fluctuation of cash flow.

**X. The Disclosure of Fair Value**

**1. Ending Fair Value of Assets and Liabilities at Fair Value**

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement				
(I) Trading financial assets	1,573,596,291.10			1,573,596,291.10
1. Financial assets at fair value through profit or loss				

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
(1) Debt instrument investment	1,356,000,000.00			1,356,000,000.00
(2) Equity instrument investment	217,596,291.10			217,596,291.10
(3) Derivative financial assets				
<b>Total assets consistently measured at fair value</b>	1,573,596,291.10			1,573,596,291.10

## 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The consistent fair value measurement items were the share public trade on Shanghai Stock Exchange or Shenzhen Stock Exchange, the market price recognition basis was the closing price of the share on balance sheet date. When the shares held were in the restricted period, the price shall be determined according to the relevant valuation methods mentioned in SFC [2007] No. 21.

## XI. Connected Party and Connected Transaction

### 1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Anhui Gujing Group Co., Ltd.	Anhui	Beverage, Construction materials, and plastic productions manufacture	1,000,000,000.00	53.89	53.89

Notes: The final controller of the Company was State-owned Assets Supervision Commission of People's Government of Bozhou, Anhui

### 2. Subsidiaries of the Company

Refer to Note VIII-1. Equity in Subsidiaries.

### 3. Information on Other Connected Parties

Name	Relationship
Anhui Ruifuxiang Food Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruijing Restaurant Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller

Name	Relationship
Anhui Haochidian Catering Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Shanghai Ruiyao Hotel Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Shanghai Beihai Restaurant Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruijing Trade Travel (Group) Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Hotel Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing Real Estates Group Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
East Ruijing Enterprise Investment Development Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Hengxin Pawn Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Ruineng Thermolectricity Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Holiday Inn Hefei	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Rufuxiang High-protein Feed Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing Hotel Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruixin Pawn Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Zhongxin Financial Leasing Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Huixin Finance Investment Group Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Hefei Longxin Financial Management Consulting Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Anxin Microcredit Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Xinyuan Government Landscape Engineering Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Lvyuan Ecological Agriculture Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Hotel Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Youxin Financing Guarantee Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Aoxin Real Estate Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Lixin E-Commerce Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller

Name	Relationship
Anhui Xinxin Property Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Huisheng Building Catering Company	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Junlai Hotel Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Real Estates Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Real Estates Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing International Travel Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing Health Industry Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Lejiu Home Tourism Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Shenglong Trading Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing International Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller

#### 4. List of Connected Transactions

##### (1) Information on Acquisition of Goods and Reception of Labor Service

##### ① Information on Acquisition of Goods and Reception of Labor Service

Connected party	Content	Reporting Period	Same period of last year
Anhui Gujing International Travel Co., Ltd.	Accepting labor service	786,329.00	38,228.00
Anhui Gujing Health Industry Co., Ltd.	Purchase of materials	19,433.63	0.00
Anhui Gujing Hotel Development Co., Ltd.	Accepting labor service	31.51	156.04
Anhui Gujing Hotel Development Co., Ltd.	Accepting food and accommodation services	16,766.00	4,819.00
Anhui Haochidian Catering Co., Ltd.	Purchase of materials	245,594.50	0.00
Anhui Haochidian Catering Co., Ltd.	Accepting food and accommodation services	34,440.00	30,300.00
Anhui Huixin Finance Investment Group Co., Ltd.	Accepting labor service	55,722.40	134,803.75
Anhui Lvyuan Ecological Agriculture Development Co., Ltd.	Accepting labor service	25,821.13	0.00
Anhui Lvyuan Ecological Agriculture Development Co., Ltd.	Afforestation fees	404,865.62	0.00
Anhui Ruijing Restaurant Management Co.,	Accepting food and	33,725.00	23,043.00

Connected party	Content	Reporting Period	Same period of last year
Ltd.	accommodation services		
Anhui Xinyuan Government Landscape Engineering Co., Ltd.	Afforestation fees	31,849.06	482,050.39
Beijing Anhui Building	Accepting food and accommodation services	1,285.00	0.00
Bozhou Hotel Co., Ltd.	Accepting food and accommodation services	3,257,170.88	1,859,506.20
Bozhou Huisheng Building Catering Company	Accepting food and accommodation services	2,695,540.00	1,349,445.00
Bozhou Gujing Junlai Hotel Management Co., Ltd.	Accepting food and accommodation services	234,710.54	259,021.00
Holiday Inn Hefei	Purchase of materials	387,017.20	132,717.52
Holiday Inn Hefei	Accepting food and accommodation services	14,865.26	41,549.36
Anhui Ruijing Trade Travel (Group) Co., Ltd	Purchase of materials	3,076,852.09	0.00
Anhui Gujing Group Co., Ltd.	Accepting labor service	63,716.81	0.00
Total	--	11,385,735.63	4,355,639.26

② Information of Sales of Goods and Provision of Labor Service

Connected party	Content	Reporting Period	Same period of last year
Anhui Aoxin Real Estate Development Co., Ltd.	Sales of white spirit	0.00	7,553.44
Anhui Gujing Real Estates Group Co., Ltd.	Sales of white spirit	0.00	531,449.33
Anhui Gujing International Travel Co., Ltd.	Providing catering and accommodation services	206.00	46,824.00
Anhui Gujing International Travel Co., Ltd.	Sales of white spirit	389.36	0.00
Anhui Gujing International Travel Co., Ltd.	Sales of small sized materials	404.78	470.95
Anhui Gujing Group Co., Ltd.	Providing catering and	87,090.19	124,239.79

Connected party	Content	Reporting Period	Same period of last year
	accommodation services		
Anhui Gujing Group Co., Ltd.	Sales of small sized materials	63,778.94	19,624.03
Anhui Gujing Health Industry Co., Ltd.	Providing catering and accommodation services	29,059.00	0.00
Anhui Gujing Health Industry Co., Ltd.	Providing labor service	501,596.23	0.00
Anhui Gujing Health Industry Co., Ltd.	Sales of white spirit	5,473,459.08	3,103.45
Anhui Gujing Health Industry Co., Ltd.	Sales of small sized materials	3,136.93	10,061.26
Anhui Gujing Hotel Development Co., Ltd.	Sales of white spirit	45,325.31	73,937.00
Anhui Huixin Finance Investment Group Co., Ltd.	Sales of white spirit	452,567.02	1,236,821.89
Anhui Lejiu Home Tourism Management Co., Ltd.	Utilities	179,311.29	0.00
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of white spirit	3,114.91	0.00
Anhui Lejiu Home Tourism Management Co., Ltd.	Sales of small sized materials	5,849.50	0.00
Anhui Lixin E-Commerce Co., Ltd.	Sales of white spirit	63,756.26	64,181.89
Anhui Lvyuan Ecological Agriculture Development Co., Ltd	Sales of small sized materials	3,724.33	0.00
Anhui Xinyuan Government Landscape Engineering Co., Ltd.	Sales of small sized materials	0.00	8,100.01
Anhui Ruijing Trade Travel (Group) Co., Ltd.	Providing catering and accommodation services	22,829.26	12,388.57
Anhui Ruijing Trade Travel (Group) Co., Ltd.	Sales of white spirit	2,979,148.41	5,718,162.07
Anhui Ruixin Pawn Co., Ltd.	Sales of white	2,731.85	9,755.53

Connected party	Content	Reporting Period	Same period of last year
	spirit		
Anhui Shenglong Trading Co., Ltd.	Providing catering and accommodation services	5,909.00	6,900.00
Anhui Shenglong Trading Co., Ltd.	Sales of white spirit	6,206.90	247,600.01
Anhui Xinxin Property Management Co., Ltd.	Sales of white spirit	0.00	23,587.69
Anhui Youxin Financing Guarantee Co., Ltd.	Sales of white spirit	2,203.45	4,374.98
Anhui Zhongxin Finance Leasing Co., Ltd.	Sales of white spirit	3,956.90	7,026.79
Bozhou Anxin Small Loan Co., Ltd.	Sales of white spirit	3,724.14	7,399.60
Bozhou Hotel Co., Ltd.	Sales of white spirit	17,379.31	47,383.29
Bozhou Gujing Huishenglou Catering Co., Ltd.	Sales of white spirit	17,767.24	34,082.23
Bozhou Gujing Junlai Hotel Management Company	Sales of white spirit	4,655.17	9,270.55
Bozhou Ruifuxiang High Protein Feed Co., Ltd.	Sales of white spirit	11,405.17	18,051.34
Bozhou Ruinong Thermal Power Co., Ltd.	Sales of white spirit	190,103.02	145,564.41
Bozhou Gujing Hotel Co., Ltd.	Sales of white spirit	0.00	9,363.27
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Water and electricity	36,105.11	39,974.95
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Providing catering and accommodation services	2,735.00	10,818.00
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Providing	15,665.68	15,057.68

Connected party	Content	Reporting Period	Same period of last year
	services		
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Sales of white spirit	902,976.02	1,135,798.58
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	Sales of small materials	841.63	2,516.56
Holiday Inn Hefei	Providing catering and accommodation services	2,937.76	56,825.49
Shanghai Beihai Restaurant Co., Ltd.	Sales of white spirit	7,964.60	0.00
Anhui Jinzhai Gujing Real Estate Development Co., Ltd.	Sales of white spirit	0.00	95,255.39
Anhui Gujing Real Estates Group Co., Ltd.	Providing services	0.00	6,756.76
Bozhou Ruineng Thermoelectricity Co., Ltd.	Providing services	0.00	252,252.25
Anhui Ruijing Trade Travel (Group) Co., Ltd.	Sales materials	0.00	356.00
Bozhou Rufuxiang High-protein Feed Co., Ltd.	Sales of white spirit	0.00	331,900.64
Anhui Hengxin Pawnbroking Co., Ltd.	Sales of white spirit	0.00	3,683.59
Anhui Haochidian Catering Co., Ltd.	Sales of white spirit	0.00	25,571.62
Hefei Longxin Financial Management Consulting Co., Ltd.	Sales of white spirit	0.00	1,510.68
Anhui Medieval Tourism Development Co., Ltd.	Sales of small materials	0.00	120.85
Anhui Medieval Tourism Development Co., Ltd.	Providing	0.00	13,125.00

Connected party	Content	Reporting Period	Same period of last year
	catering and accommodation services		
Bozhou Gujing Real Estate Development Co., Ltd.	Sales of white spirit	0.00	11,475.45
Bozhou Gujing Property Management Co., Ltd.	Sales of white spirit	0.00	39,987.82
Total	--	11,150,014.75	10,470,264.68

## (2) Information on Connected Lease

The Company serves as the lessee

Name of lessor	Category of leased assets	The lease income confirmed in the Reporting Period	The lease income confirmed in the Same period of last year
Anhui Gujing Group Co., Ltd.	Houses and buildings	1,095,238.10	1,095,238.10

The Company serves as the lessor

Name of lessee	Category of leased assets	The lease income confirmed in the Reporting Period	The lease income confirmed in the Same period of last year
Anhui Gujing Hotel Management Co., Ltd.	Houses and buildings	689,124.81	246,190.48

## 5. Accounts Receivable and Payable of Connected Party

### (1) Accounts Receivable

Item	Ending balance	Beginning balance
Other accounts receivable:		
Bozhou Ruineng Thermoelectricity Co., Ltd.	14,521.45	14,521.45
Anhui Gujing Real Estates Group Co., Ltd.	0.00	25,342.50
Total	14,521.45	39,863.95

### (2) Accounts Payable

Item	Ending balance	Beginning balance
Advances from customers:		
Anhui Ruijing Trade Travel (Group) Co., Ltd.	1,866,176.31	4,085,856.31

Item	Ending balance	Beginning balance
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	1,744,615.38	1,881,236.80
Anhui Gujing Health Industry Co., Ltd.	1,858,304.40	4,036,729.60
Bozhou Ruineng Thermoelectricity Co., Ltd.	0.00	43,200.00
Anhui Shenglong Trading Co., Ltd.	141,581.50	0.00
Total	5,610,677.59	10,047,022.71
Other accounts payable:		
Anhui Gujing Hotel Development Co., Ltd.	50,000.00	50,000.00
Large Central Plain Wine Valley Culture Tourism Development Co., Ltd.	50,000.00	0.00
Anhui Ruijing Trade Travel (Group) Co., Ltd.	85,000.00	35,000.00
Total	185,000.00	85,000.00

## XII. Commitments and Contingency

### 1. Significant Commitments

#### Operating Lease Commitments

As of the balance sheet date, the irrevocable operating lease contracts the Company signed were listed as follows:

Item	Ending balance	Beginning balance
Minimum lease payments of irrevocable operating lease		
1 year after balance date	2,300,000.00	2,300,000.00
2 years after balance date	2,300,000.00	2,300,000.00
3 years after balance date	2,300,000.00	2,300,000.00
Subsequent years	18,208,333.33	19,358,333.33
Total	25,108,333.33	26,258,333.33

### 2. Contingency

(1) Due to the infringement behaviors on the Company's trademark in the market, the Company filed lawsuits against such infringement acts. Since the individual and overall amount of action was relatively small, the contingency is expected to have no significant impacts on the Company.

(2) There was no other contingency of the Company other than the above-mentioned event.

### XIII. Events after the Balance Sheet Date

As of 30 June 2019, there was no significant event of the Company after the balance sheet date.

### XIV. Other Significant Events

#### Segment Information

There was no segment information based on operating segments to disclose, since the Company didn't determine operating segments in accordance with internal organizational structure, management requirements and internal report systems.

### XV. Notes of Main Items in the Financial Statements of the Company

#### 1. Accounts Receivable

##### (1) Accounts Receivable Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	10,793,50 5.68	100.00	141,121 .87	1.31	10,652,38 3.81
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>10,793,50 5.68</b>	<b>100.00</b>	<b>141,121 .87</b>	<b>1.31</b>	<b>10,652,38 3.81</b>

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	9,527,072 .41	100.00	141,121. 87	1.48	9,385,950 .54
Accounts receivable with insignificant single amount for which bad debt	0.00	0.00	0.00	0.00	0.00

Category	Beginning balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
provision separately accrued					
Total	9,527,072.41	100.00	141,121.87	1.48	9,385,950.54

① In the groups, accounts receivable adopted aging analysis method to withdraw bad debt provision

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	0.00	0.00	0.00
[Of which: Within 6 months]	0.00	0.00	0.00
[7-12 months]	0.00	0.00	0.00
1 to 2 years	0.00	0.00	0.00
2 to 3 years	0.00	0.00	0.00
Over 3 years	141,121.87	141,121.87	100.00
Total	141,121.87	141,121.87	100.00

② In the groups, accounts receivable adopted other methods to withdraw bad debt provision

Name of the group	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Connected group within the combination scope	10,652,383.81	0.00	0.00
Total	10,652,383.81	0.00	0.00

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The amount of bad debt provision withdrawn during the Reporting Period was RMB 0.00.

(3) Particulars of Accounts Receivable with Actual Verification during the Reporting Period

The amount of accounts receivable actually verified during the Reporting Period was RMB 0.00.

(4) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

Total amount of the Top 5 accounts receivable in ending balance collected according to the arrears party was RMB10,270,716.85, accounting for 95.16% of the total ending balance of accounts receivable, and the total of ending balance of bad debt provision withdrawn was RMB0.00.

## 2. Other Accounts Receivable

Item	Ending balance	Beginning balance
Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Other accounts receivable	105,037,195.62	110,800,665.19
<b>Total</b>	<b>105,037,195.62</b>	<b>110,800,665.19</b>

### (1) Other Accounts Receivable Disclosed by Category

Category	Ending balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	40,850,949.35	27.82	40,850,949.35	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	106,003,851.26	72.18	966,655.64	0.91	105,037,195.62
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>146,854,800.61</b>	<b>100.00</b>	<b>41,817,604.99</b>	<b>28.48</b>	<b>105,037,195.62</b>

(Continued)

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	40,850,949.35	26.80	40,850,949.35	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	111,581,253.05	73.20	780,587.86	0.70	110,800,665.19
Other accounts receivable with insignificant	0.00	0.00	0.00	0.00	0.00

Category	Beginning balance				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
single amount for which bad debt provision separately accrued					
<b>Total</b>	152,432,202.40	100.00	41,631,537.21	27.31	110,800,665.19

A. Other receivable with single significant amount for which bad debt provision separately accrued at the end of the period

Other accounts receivable (by unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)	Withdrawal reason
Hengxin Securities	29,010,449.35	29,010,449.35	100.00	Under the bankruptcy liquidation
Jianqiao Securities	11,840,500.00	11,840,500.00	100.00	Under the bankruptcy liquidation
<b>Total</b>	40,850,949.35	40,850,949.35	--	

B. In the groups, other accounts receivable adopted aging analysis method to withdraw bad debt provision

Aging	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	3,685,136.21	49,084.05	1.33
[Of which: Within 6 months]	3,379,319.03	33,793.19	1.00
[7-12 months]	305,817.18	15,290.86	5.00
1 to 2 years	392,570.00	39,257.00	10.00
2 to 3 years	377,313.00	188,656.50	50.00
Over 3 years	689,658.09	689,658.09	100.00
<b>Total</b>	5,144,677.30	966,655.64	18.79

C. In the groups, other accounts receivable adopted other methods to withdraw bad debt provision

Name of the group	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)

Name of the group	Ending balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Connected group within the consolidation scope	100,859,173.96	0.00	0.00
Total	100,859,173.96	0.00	0.00

② Other Accounts Receivable Classified by Account Nature

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds between entities within combination scope	100,859,173.96	108,389,173.96
Securities investment	40,850,949.35	40,850,949.35
Margin and cash pledge	2,508,139.09	909,657.06
Rent and utilities fee	807,179.22	639,732.73
Others	1,829,358.99	1,642,689.30
Total	146,854,800.61	152,432,202.40

③ Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

The amount of bad debt provision withdrawn during the Reporting Period was RMB 186,067.78.

④ Particulars about Other Accounts Receivable with Actual Verification during the Reporting Period

No such cases in the Reporting Period.

⑤ Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Name of the entity	Relationship	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable (%)	Ending balance of bad debt provision
No.1	Related party within combination scope	Related party within combination scope	86,909,097.13	Within 3 years	59.18	0.00
No.2	Non-connected party	Securities investment	29,010,449.35	Over 3 years	19.75	29,010,449.35
No. 3	Related party within combination	Related party within combination scope	13,950,076.83	Within 3 years	9.50	0.00

Name of the entity	Relationship	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable (%)	Ending balance of bad debt provision
	scope					
No. 4	Non-connected party	Securities investment	11,840,500.00	Over 3 years	8.06	11,840,500.00
No. 5	Non-connected party	Margin	500,000.00	Within 6 months	0.34	5,000.00
Total	--	--	142,210,123.31	--	96.83	40,855,949.35

### 3. Long-term Equity Investment

#### (1) Category of Long-term Equity Investment

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	1,148,213,665. 32	0.00	1,148,213,665. 32	1,148,213,665. 32	0.00	1,148,213,665. 32
Total	1,148,213,665. 32	0.00	1,148,213,665. 32	1,148,213,665. 32	0.00	1,148,213,665. 32

#### (2) Investment to Subsidiaries

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Bozhou Gujing Sales Co., Ltd.	68,949,286.89	0.00	0.00	68,949,286.89	0.00	0.00
Anhui Longrui Glass Co., Ltd.	85,267,453.06	0.00	0.00	85,267,453.06	0.00	0.00
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	49,906,854.63	0.00	0.00	49,906,854.63	0.00	0.00
Bozhou Gujing Hotel Co., Ltd.	648,646.80	0.00	0.00	648,646.80	0.00	0.00
Anhui Swisse Will Science & Technology Co., Ltd.	40,000,000.00	0.00	0.00	40,000,000.00	0.00	0.00
Anhui Subway Cordial Wine Co., Ltd.	30,000,000.00	0.00	0.00	30,000,000.00	0.00	0.00
Anhui Yuanqing Environmental Co., Ltd.	16,000,000.00	0.00	0.00	16,000,000.00	0.00	0.00

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Anhui Gujing Cloud E-commerce Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00	0.00	0.00
Anhui Zhenrui Construction Engineering Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
Wuhan Pride Yellow Crane Tower Distillery Co., Ltd.	816,000,000.00	0.00	0.00	816,000,000.00	0.00	0.00
Anhui Jinyunlai Culture & Media Co., Ltd.	15,000,000.00	0.00	0.00	15,000,000.00	0.00	0.00
Bozhou Gujing Waste Reclamation Co., Ltd.	1,441,423.94	0.00	0.00	1,441,423.94	0.00	0.00
Anhui RunAnXinKe Testing Technology Co., Ltd	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
<b>Total</b>	<b>1,148,213,665.32</b>	<b>0.00</b>	<b>0.00</b>	<b>1,148,213,665.32</b>	<b>0.00</b>	<b>0.00</b>

#### 4. Operating Revenue and Cost of Sales

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	3,104,047,962.07	1,254,351,553.67	2,331,145,973.42	930,097,754.58
Other operations	40,634,501.51	23,567,023.24	42,363,746.54	32,348,972.74
<b>Total</b>	<b>3,144,682,463.58</b>	<b>1,277,918,576.91</b>	<b>2,373,509,719.96</b>	<b>962,446,727.32</b>

#### 5. Investment Income

Item	Reporting Period	Same period of last year
Investment income generating from long-term equity accounted by cost method		
Investment income generating from long-term equity accounted by equity method		
Investment income from disposal of long-term equity investment		
Investment income from holding of trading financial assets	0.00	1,271,471.00
Investment income from disposal of trading financial assets		
Dividend income from holding of other equity instrument investment		
Investment income from holding of		

held-to-maturity investment		
Investment income from holding of available-for-sale financial assets	0.00	49,031,673.79
Investment income from disposal of available-for-sale financial assets	0.00	10,999,123.54
Investment income from disposal of held-to-maturity investment		
Income from remeasurement of residual stock rights at fair value after losing control power		
Interest income from holding of credit investment		
Interest income from holding of other credit investment		
Interest income from disposal of other credit investment		
Other investment income	31,883,868.76	0.00
Total	31,883,868.76	61,302,268.33

## XVI. Supplementary Materials

### 1. Items and Amounts of Non-recurring Profit or Loss

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	-310,454.93	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents		
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	30,803,918.68	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses		
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments		
Gain/loss on non-monetary asset swap		
Gain/loss on entrusting others with investments or asset management		

Item	Amount	Explanation
Asset impairment provisions due to acts of God such as natural disasters		
Gains and losses from debt restructuring		
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.		
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices		
Current net gains and losses of subsidiaries acquired in business combination under the same control from period-begin to combination date		
Profit and loss from contingencies irrelative to the normal business operations of company		
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	83,312,387.28	
Depreciation reserves returns of receivables with separate depreciation test		
Gain/loss on entrustment loans		
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method		
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations		
Custody fee income when entrusted with operation		
Other non-operating income and expense other than the above	9,823,095.95	
Project confirmed with the definition of non-recurring gains and losses and losses		
<b>Subtotal</b>	<b>123,628,946.98</b>	
Income tax effects	30,769,441.49	
Non-controlling interests effects (after tax)	10,414,170.58	
<b>Total</b>	<b>82,445,334.91</b>	

Note: The number “+” among the non-current gains and losses items refers to profits and revenues, while “-” referred to losses or expenditure.

The recognition of the non-current gains and losses items was executed according to the regulations of No.1 of the Information Disclosure Explanatory Notice of the Companies Public Offering Securities-Non-current Gains and losses (Z-J-H-Announcement [2008] No. 43) .

## 2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)
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		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	16.71	2.48	2.48
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	15.61	2.32	2.32