Yantai Changyu Pioneer Wine Co. Ltd.

2016 Semi-annual Report

2016-Final 03

August 2016

Contents

I. Important Notice, Contents and Definition

The Board of Directors, the Board of Supervisors， directors, supervisors & senior management of the Company collectively and individually accept full responsibility for the truthfulness， accuracy and completeness of the information contained in the semi-annual report and there are no unfaithful facts, misleading statements or significant omissions.

Except the following director, other directors have personally attended the Board of Directors' meeting for deliberating the semi-annual report.

Name of director not personally attending the Board of Directors' meeting	Position of director not personally attending the Board of Directors' meeting	Reason of not personally attending the Board of Directors' meeting	Name of entrusted person
Mrs. Dai Hui	Director	Evection	Mr. Sun Liqiang

The Company has no plan to distribute cash dividends and bonus shares; capital reserve will not be transferred to equity in the semi-annual.

Mr. Sun Liqiang (Chairman of the Company), Mr. Leng Bin (Chief Financial Officer) and Mr. Jiang Jianxun (Financial Manager) assure the truthfulness, accuracy and completeness of the financial report in the semi-annual report.

Definition

Definition Item	Refers to	Definition Content
Company/The Company	Refers to	Yantai Changyu Pioneer Wine Co. Ltd.
Changyu Group/Controlling shareholder	Refers to	Yantai Changyu Group Co. Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
Deloitte Hua Yong Certified Public Accountants Co., LTD		Deloitte Hua Yong Certified Public Accountants Co., LTD (special general partnership)
CNY	Refers to	Chinese Yuan

II、Brief Introduction for the Company

1. Company's information

Abbreviation of the Shares:	Changyu A、Changyu B	Code number of the Shares	000869、200869
Abbreviation of the Shares after alteration	-		
Place of listing of the Shares	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酿酒股份有限公司		
Abbreviation of Chinese name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English name	CHANGYU		
Legal Representative	Mr. Sun Liqiang		

2. Contact person and information

	Secretary to the Board of Directors	**Authorized Representative of the Securities Affairs**
Name	Mr. Qu Weimin	Mr. Li Tingguo
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel	0086-535-6633658	0086-535-6633656
Fax	0086-535-6633639	0086-535-6633639
E-mail	quwm@changyu.com.cn	stock@changyu.com.cn

3. Other information

1)、The Company's contact information

Whether there is any change for the Company's registered address, office address, post code, website and e-mail address during the report period.

□Available V Not available

There is no any change for the Company's office address, post code, website and e-mail address during the report period, please see 2015 annual report for more details.

2)、Information disclosure and filing Location

Whether there is any change for the information disclosure and filling location during the report period.

☐Available V Not available

There is no any change for the newspapers in which the Company's information is disclosed, website assigned by CSRC to carry the semi-annual report and the filing location during the report period, please see 2015 annual report for more details.

3)、Registration changes

Whether there is any change for the registration during the report period.

V Available ☐Not available

	Registration date	Registration place	Business license registration number	Tax registration number	Organization code
Registration at the beginning of report period	October 14th, 2013	Shandong Administration for Industry & Commerce	370000018060122	National tax: 37060216500338-1; Local tax: 370601267100035	26710003-5
Registration at the end of report period	June 17th, 2016	Shandong Administration for Industry & Commerce	91370000267100358	91370000267100358	91370000267100358
Inquiry date of appointed website disclosed in interim announcement (if have)	no				
Inquiry index of appointed website disclosed in interim announcement (if have)	no				

III、 Summary of Accounting Data and Financial Indicators

1. Key accounting data and financial indicators

Whether the Company makes retroactive adjustments or restates the accounting data of previous fiscal years because of changes of accounting policy and/or accounting errors.

☐Yes V No

Item	In the report period	In the same period of last year	More or less than the same period of last year(%)
Business revenue (CNY)	2,753,032,799	2,825,793,250	-2.57%
Net profit attributed to the shareholders of the listed company (CNY)	695,021,847	746,060,248	-6.84%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	678,478,321	739,432,003	-8.24%
Net cash flows from the operating activities (CNY)	682,748,369	927,163,060	-26.36%
Basic earnings (CNY) per share	1.01	1.09	-7.34%
Diluted earnings (CNY) per share	1.01	1.09	-7.34%
Return on net assets (%)	8.78%	10.11%	-1.33%
	At the end of the report period	At the end of last year	More or less than the end of last year
Total assets (CNY)	11,284,325,048	10,344,211,461	9.09%
Net Assets attributed to the shareholders of the listed company (CNY)	8,265,370,769	7,564,099,003	9.27%

2. Accounting data difference between domestic and foreign accounting standards

1)、Difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and international accounting standards.

V Available ☐Not available

Unit: CNY

	Net profit belonged to shareholders of listed company		Net asset belonged to shareholders of listed company	
	Amount in current period	Amount in last period	Amount at the end of this period	Amount at the beginning of this period
Based on Chinese accounting standard	695,021,847	746,060,248	8,265,370,769	7,564,099,003
Items and amount adjusted based on international accounting standard				
Based on international accounting standard	695,021,847	746,060,248	8,265,370,769	7,564,099,003

2)、Difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and foreign accounting standards.

□Available V Not available

There is no difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and foreign accounting standards during the report period.

3)、Explanation of difference in accounting data based on Chinese and international accounting standards

□Available V Not available

3. Details of irregular profit and loss

V Available □Not available

Unit: CNY

Item	Amount	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	-15,485	
Tax return, deduction and exemption with unauthorized approval or no official document of	12,116,257	

approval		
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	6,029,617	
Other non-operating expense and income	3,459,361	
Less: Income tax effect	5,046,224	
Total	16,543,526	-

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

□Available $\boxed{\text{V}}$Not available

There is no situation regarding the non-recurring profit and loss as defined and specified in the Explanatory Announcement on Public Company's Information Disclosure No.1 - Non-recurring Profit and Loss as recurrent profit and loss.

IV、Board of Directors' Report

1. Summarization

During the report period, the need for high-end products in domestic wine industry was still weak, but the consumer demand began to increase mildly in some regions; middle-and-low-end wines suitable for the public and with a high sales volume in festival and holidays didn't have a significant fluctuation. Overall, there was still strong competition existing in domestic wine market and the Company was facing a big operating pressure and challenge. Facing quite a lot of external disadvantages, the Company insisted on focusing on the market, adjusted marketing strategy, perfected sales channel and product structure, optimized the market layout and promoted sales of products with all strength, ensuring the stability of business performance and respectively accomplishing the sales revenue of CNY2753.03million with a year-on-year decrease of 2.57% as well as the net profit of CNY695.67million with a year-on-year decrease of 6.75%.

2. Analysis to main business

1) Period comparison of main financial data

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	2,753,032,799	2,825,793,250	-2.57%	Mainly decreased sales volume of products
Operating cost	902,734,104	932,522,743	-3.19%	Mainly decreased sales volume of products
Sales expense	650,737,234	653,425,516	-0.41%	-
Management expense	122,695,845	119,770,340	2.44%	Mainly increased salary of management, administrative expense, depreciation cost, building tax and other taxes
Financial expense	10,988,233	-3,880,903	383.14%	Mainly decreased interest income of bank deposit and increased interest expenditure of bank loan
Income tax expense	238,715,481	245,727,101	-2.85%	Mainly decreased net profit on year-on-year basis
R&D investment	5,546,825	5,534,562	0.22%	-

Net amount of cash flow generated in operating activities	682,748,369	927,163,060	-26.36%	Mainly increased cash paid for goods purchased and labor service received on year-on-year basis
Net amount of cash flow generated in investment activities	-397,659,283	-432,181,002	7.99%	Mainly decreased cash outflow generated by investment activities including purchase and building of fixed assets
Net amount of cash flow generated in financing activities	259,718,424	-23,919,692	1,185.79%	Mainly increased cash received through bank loan
Net increased amount of cash and cash equivalents	551,693,393	470,554,249	17.24%	Mainly increased net amount of cash flow generated by financing activities

Whether there is any great change for the Company's profit structure or profit source during the report period

□Available V Not available

There is no great change for the Company's profit structure or profit source during the report period.

Whether there is any future development and planning disclosed in the public Company's shares prospectus, collecting prospectus and asset restructuring report during the report period.

□Available V Not available

The Company does not disclose any future development and planning in the public Company's shares prospectus, collecting prospectus and asset restructuring report during the report period.

2) Review and summary of the progress situation during the report period of the Company's business plan disclosed in earlier stage

Firstly, the Company insisted on focusing on the market and strived to promote the integrated development of multi-kinds of liquor. During the report period, the Company insisted the strategy of “mainly focusing on wine and fully developing multi-kinds of liquor”, further improved the sales system construction and marketing personnel assessment methods, adjusted sales structure and personnel in some regional markets, increasing the capacity of sales team; consolidating the market position of middle-and-high-end products, such as chateau wines and Jiebaina, through cultivating principal distributors in combination with full-time sales personnel; quickened the sales network layout of brandy and optimized the brandy product structure, making brandy achieve big breakthrough in some weak markets; energetically promoted the sales of imported products and increased the new development power owing to the favorable performance of overseas acquired enterprises’ brands as well as significant increase in sales of import products; orderly proceeded the pre-marketing preparatory work of new products, such as small-volume wine, sparkling wine with low alcohol and Tinlot chateau wine and so on, and owned the capability for further economic development.

Secondly, the Company strengthened the control of main costs and expenses to ensure the asset safety. During the report period, the Company conducted special audit for key expenses, such as processing charge, transportation fee, fuel fee, repair charge and greening fee and so on, conducted the audit for input and output of self-supporting grape bases and conducted the closing audit for investment projects; strengthened the financial management and audit supervision, ensuring the effective implementation of each regulation and effectively controlling the Company’s main costs and expenses; built and improved the management system and relevant regulation of overseas subsidiaries, ensuring the asset safety and promoting the healthy development.

Thirdly, the Company strengthened the construction of grape bases, striving to reduce the cost of grape materials and improve the quality of grapes. During the report period, the Company strengthened the input-and-output accounting and classified management of grape bases, reorganized the current grape bases and continued enhancing the “Large-scale, Standardization, Mechanization” construction of grape bases, favorably controlling the cost of grape cultivation and improving the quality of materials.

Fourthly, the Company steadily boosted the construction of projects under construction, strengthened the project management, reasonably arranged the construction progress and assured the project quality; strictly controlled the newly-commenced project and avoided investment risks. During the report period, the Company preferably controlled the investment amounts of projects under construction and ensured the construction progress and quality through strengthening the project management, scientifically arranging construction progress, strictly conducting budget requirements and fully implementing the cost audit and the audit of final accounts; conformed to the changes of business environment, re-demonstrated the projects that have not been constructed, cautiously made investment decision and postponed the start of some investment projects so as to avoid investing too early and appearing significant investment risk.

3) The company's main work and measures during the second half year of 2016

Firstly, the Company will intensify the system construction of principal distributors and keep strengthening the sales of middle-and-high-end products, such as chateau wines, Jiebaina and brandy above three-star; keep enlarging the promotion of Zuishixian and Noble Rot and cultivating principal distributors in order to bring consistent and health development of middle-and-low-price products; implement "less employee, more salary" in some markets to improve the capability of sales team; introduce new products, such as sparkling wine, Tinlot chateau wine and small-volume products and so on, increase the sales of Atrio, Mirefleurs, Donelli, Koyac and other brands' products, and promote to complete the development exclusively for E-business products so as to form a new market growth point; take full use of new media and strengthen the communication with young people in order to build consumers' new cognition (internationalization, young and fashion-orientation) to Changyu brands and increase the brand influence.

Secondly, the Company will scientifically arrange the construction progress of investment projects, strive to complete the construction and put into operation on schedule; collect project fund through multi-channels, improve the project management, increase the efficiency of fund use and make great efforts to control the construction costs.

Thirdly, the Company will conduct the production facilities construction as well as the equipment installation and commissioning work of main part in Yantai Changyu International Wine City (Yantai Changyu Industrial Park), strive to put it into operation before this September; further eliminate inefficient capacities, achieve the seamless connection between new productivity and old productivity, ensure the link between the production and sales, increase the production efficiency and reduce the production costs.

Fourthly, the Company will scientifically make grape procurement plans and implementation scheme, organize and deploy resources all around, fully complete the procurement of grape materials; consider each party's interest, further prefect the grape-pricing mechanisms and reasonably determine the grape procurement price so as to assure the supply of sufficient and superior materials.

3. Structure of main businesses

Unit: CNY

	Operating	Operating	Gross	Increase or	Increase or	Increase or

	revenue	cost	profit (%)	decrease of operating revenue over the same period of last year (%)	decrease of operating cost over the same period of last year (%)	decrease of gross profit over the same period of last year
Sector						
Wine and alcoholic beverages	2,753,032,799	902,734,104	67.21%	-2.57%	-3.19%	0.15%
Product						
Wine	2,177,413,496	703,323,461	67.70%	-3.61%	-4.49%	0.30%
Brandy	540,377,902	183,423,536	66.06%	4.19%	3.31%	0.29%
Region						
Domestic	2,624,756,459	810,482,569	69.12%	-3.52%	-7.13%	1.20%

4. Analysis to core competitiveness

Compared with the participants in the arena of the Chinese wine sector, we believe that the Company is provided with the following advantages:

Firstly, the Company has been enjoying a well-known wine brand since 120-odd years, “Changyu”, “Jiebaina” and “AFIP” are Chinese famous trademarks that have strong influence and good reputation.

Secondly, the Company has set up a nationwide marketing network, formed a “three-level” marketing network system mainly composed of the Company’s salesmen and dealers, possessed the strong marketing ability and market exploitation ability.

Thirdly, the Company has already had strong research strength and a product R&D system, owned the only “State-level Wine R&D Center”, made mastery of advanced winemaking technology and production processes, been powerful enough in product innovation and established a perfect quality control system.

Fourthly, the Company is in possession of a lot of grape-growing bases to meet its future development, having developed a great deal of vineyards in the most suitable areas for wine grape growing such as in Shandong, Ningxia, Xinjiang, Liaoning, Hebei and Shaanxi, whose scales and structures have generally met the Company's needs for development.

Fifthly, the Company has a great variety of products composed of all grades, its wine, brandy and sparkling wine of over 100 sorts can meet different consumers' demands. The Company has taken the lead in the domestic wine sector through rapid development in the past 10-odd years and has possessed comparative superiority in the future competition.

All in all, the Company has built up a strong core competitive edge and obtained and maintained a relatively dominant position in the long-term market competition.

5. Analysis to investments

1)、Situation for equity investment abroad

① Situation for investment abroad

□Available V Not available

During the report period, the company did not have investment abroad.

② Situation for holding equity of financial enterprises

□Available V Not available

During the report period, the company did not hold any equity of financial enterprises.

③ Situation for security investment

□Available V Not available

During the report period, there were no security investments.

④ Situation for holding equity of other listed companies

□Available V Not available

During the report period, the company did not hold any equity of other listed companies.

2)、Trust management, derivatives investment and entrusted loans

① Situation for trust management

□Available V Not available

During the report period, the company did not have trust management.

② Situation for derivatives investment

□Available V Not available

During the report period, the company did not have derivatives investment.

③ Situation for entrusted loans

□Available V Not available

During the report period, the company did not have entrusted loans.

3)、Use of raised capital

□Available V Not available

During the report period, there were no use of raised capital.

4)、Analysis to the major subsidiaries and joint stock companies

V Available □Not available

Information about the major subsidiaries and joint stock companies

Unit: CNY

Company name	Company type	Industry	Main products or services	Registered capital	Total assets	Net asset	Business revenue	Operating profit	Net profit
Yantai Changyu-Castel Wine Chateau Co. LTD.	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell wine and sparkling wine as well as the tourism service	USD 5 million	254,982,086	61,415,854	25,120,685	-1,475,546	-1,835,054
Langfang Castel-Changyu Wine Co. LTD.	Joint stock company	Wine and alcoholic beverages industry	To produce and sell wine	USD 6,108,818.00	44,794,211	36,595,384	23,893,566	1,517,141	1,141,604
Beijing Chateau Changyu AFIP Global	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell brandy and wine	CNY 110 million	733,955,582	171,274,185	96,780,881	27,701,173	22,140,264
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To produce ice wine	CNY 26.30 million	89,524,743	54,602,855	16,400,216	-3,221,689	-3,220,773
Xinjiang Tianzhu Winery Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To plant grape, produce and sell grape juice, bulk wine and fruit wine	CNY 75 million	178,930,460	125,825,796	71,414,395	10,418,182	8,855,720
Spanish DICOT PARTNERS, S.L.	Subsidiary	Wine and alcoholic beverages industry	To produce and manage wine and other liquor	EUR 2,385,732.00	414,758,775	135,074,799	138,454,701	2,737,024	2,677,035

5)、Important projects financed with non-raised capital

☑ Available ☐Not available

Unit: CNY’0000

Project Name	Total Planned Investment	Investment in the report period	Actual accumulation investment until the end of the report period	Project progress	Project benefits	Disclosure Date	
Construction of Changyu International Wine City blending and cooling Center	196,303	22,800	90,163	90.00%	---	2016.04.29	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202265203?announceTime=2016-04-29
Construction of Changyu International Wine City Bottling Center	116,807	20,900	69,069	90.00%	---	2016.04.29	
Construction of Changyu International Wine City Logistics Center	37,468	9,000	28,944	100.00%	---	2016.04.29	
Construction of Changyu Vine and Wine Research Institute	20,000	1,600	10,676	80.00%	---	2016.04.29	
Construction of Treasure Wine Chateau	14,545	3,500	8,299	70.00%	---	2016.04.29	
Construction of Koyac Brandy Chateau	16,530	1,100	10,900	70.00%	---	2016.04.29	
Investment in landscaping	5,000	980	4,844	85.00%	---	2016.04.29	
Tourist project of Changyu International Wine City	100,000	3,000	3,000	0.00%	---	2016.04.29	
Construction of pioneer franchised store	19,063	959	4,514	90.00%	---	2016.04.29	
Total	525,716	63,839	230,409	--	--		

6. Forecast for the operation achievements from January to September of 2016

Caution and explanation for the prediction that the cumulative net profit from the beginning of the year to the end of next report period could be in a loss or there will be in a great change comparing with the same period of last year.

□Available $\boxed{V}$Not available

7. Explanation from the board of directors and the board of supervisors for the "Non-standard Audit Report" issued by the accountant firm

□Available V Not available

8. Explanation from the board of directors for the "Non-standard Audit Report" of last year

□Available V Not available

9. Implementation of profit distribution during the report period

The implementation or adjustment for the profit distribution policies during the report period, especially the cash dividend plan and the scheme of increasing equity with capital reserve

V Available □Not available

On July 1st, 2016, the Company disclosed the Announcement of Dividend Distribution for the year 2015, according to which the Company would take the total capital stock 685,464,000 shares (453,460,800 shares of Stock A and 232,003,200 shares of Stock B) at that time as a cardinal number to distribute CNY5 in cash for per 10 shares to all stockholders (tax included; after deduction of taxes, as to Stock A, QFII, RQFII as well as the individuals holding the restricted reform-related shares, the restricted new shares and the investment fund holders would enjoy CNY4.5 per 10 shares; the differential dividend tax rates would be adopted for the individuals holding the non-restricted reform-related shares, the non-restricted new shares and the unlimited shares, CNY5 for per 10 shares in advance and afterwards depending on the investors' reduction of shares, making up the difference according to the actual shares held on the equity registration day; as to the dividend tax of securities investment funds holding the non-restricted reform-related shares, the non-restricted new shares and the unlimited shares, 10% of fund shares will be collected for Hong Kong investors while the differential dividend tax rates would be adopted for inland investors; as to the non-resident enterprises other than QFII and RQFII, the Company would neither withhold nor pay the income tax on their behalf but the taxpayers should pay the tax in the place where the income is received. As to Stock B, the non-resident enterprises would enjoy cash dividend CNY4.5 for per 10 shares. The differential dividend tax rates would be adopted for the inland (overseas) individual stockholders, CNY5 for per 10 shares in advance and afterwards depending on the investors' reduction of shares, making up the difference according to the actual shares held on the equity registration day.).

The share registration day of Stock A was on July 6th, 2016 and the ex-dividend day was on July 7th, 2016.

The last trading day of B Stock was on July 6th, 2016, the share registration day was on July 11th, 2016 and the ex-dividend day was on July 7th, 2016.

The total capital stock at the share registration day and the ex-dividend day are all 685,464,000 shares (453,460,800 shares of Stock A and 232,003,200 shares of Stock B).

The distribution objects are the Company's all Stock A holders who registered at the China Securities Depository and Clearing Corporation Limited Shenzhen Company (hereinafter referred to as "China Clearing Shenzhen Company") after the market closing of the Shenzhen Stock Exchange in the afternoon of July 6th, 2016 and the Company's all Stock B holders who registered at the China Clearing Shenzhen Company after the market closing of the Shenzhen Stock Exchange in the afternoon of July 11th, 2016.

The cash dividend for Stock A holders that the Company entrusted China Securities Depository and Clearing Corporation Limited Shenzhen Company to distribute was directly transferred to their accounts via securities service company (or other depository department) on July 7th, 2016.

The cash dividend for Stock B holders was directly transferred to their accounts via securities service company or other depository department on July 11th, 2016.

The cash dividend enjoyed by Yantai Changyu Group Co., Ltd. was directly paid by the Company at the same time.

Special explanation	
Whether it is in accordance with the requirements of the regulation in the Articles of Association and the resolution of shareholders	Yes
Whether the distribution standard and proportion is clear and definite	Yes
Whether the relative decision process and mechanism is complete	Yes
Whether the independent directors perform their responsibilities and play the roles.	Yes
Whether the small and middle shareholders have the chance to express their advices and appeals, as well as their lawful right and interest is in an enough protection.	Yes
Whether it is legal and transparent for the condition and process while adjusting and amending the cash dividends distribution policy.	Yes

10. Preliminary schemes of profit dividend and increasing equity with capital reserve during the report period

□Available V Not available

There are no schemes of paying cash dividend, bonus share and increasing equity with capital during the semi-annual period.

11. The Company's Receptions, Studies and Visits

V Available □Not available

Reception time	Reception place	Reception way	Type of reception object	Reception object	Main discussed contents and the information provided
May 5th, 2016	Meeting room of the Company	Field survey	Institution	Ms. Huang Zhaolei from UBS Securities Company Limited ; Ms. Ning Jing and Mr. Zhou Bo from Fidelity (HK) Company Limited	Current business operation situation and other issues
May 12th, 2016	Meeting room of the Company	Field survey	Institution	Mr. Lin Chuanqin from Uni-President Securities Investment Trust Company Limited	Current business operation situation and other issues
May 26th, 2016	Meeting room of the Company	Field survey	Institution	Ms. Qu Shaoping from Guotai Junan Securities Company Limited; Mr. Zhang Shuai from Zhongtai Securities Company Limited; Mr. Long Yufei from Zhongou Fund Management Company Limited; Mr. Zhang Yansong from Industrial Securities Asset Management Company Limited; Ms. Kong Mengyai from Haitong Securities Company Limited; Mr. Shi Jianping from Aijian Securities Limited Liability Company; Mr. Zhang Qiaoxin from China Securities Company Limited	Current business operation situation and other issues
June 24th, 2016	Meeting room of the Company	Field survey	Institution	Mr. Wang Xiaodong, Ms. Li Qing and Mr. Wang Nan from Huatai Securities Company Limited	Current business operation situation and other issues

V、Major Issues

1. Corporate Governance Situation of the Company

The Company has according to relevant national laws and rules including the "*Company Law of the People's Republic of China*", "*Securities Law of the People's Republic of China"* , "*Guidelines on Corporate Governance of Listed Companies*", and also other laws and rules , established and constantly improved its legal entity structure, legally conducted its activities. Currently, the Company's corporate governance is in compliance with the Company Law and the relevant provisions of China Securities Regulatory Commission.

2. Litigation Issue

Material litigation and arbitration

□ available √not available

There are no material litigation and arbitration during the report period.

Other Litigation Issue

□ available √not available

3. Media's doubts

□ available √not available

There are no common doubts issued by Media during the report period.

4. Bankruptcy reorganization

□ available √not available

There are no related issues of bankruptcy reorganization happened during the report period and until the report period.

5. Transaction in Assets

1)、Acquisition of assets

□ available √not available

There is no acquisition of assets during the report period and until the report period.

2)、 Assets for sale

□ available √not available

There are no assets for sale during the report period and until the report period.

3)、Business merger

√available □not available

The Company's wholly owned subsidiary – Francs Champs Participations signed "Equity Transfer Agreement" with French Castel Company in 2015, purchasing 90% of Chateau Mirefleurs's equity held by French Castel Company at the price of EUR3.33million. The merger has been completed within the report period. For detailed situation, please see “8、Changes in scope of consolidation” in Financial Report of this report.

6. Implementations and influences of Company’s equity incentive

□ available √not available

There are no plans and implementations of Company’s equity incentive during the report period.

7. Important related transactions

1)、Related transactions in relation to routine operations

√available □not available

Related party	Interrelationship	Type of related transaction	Content of related transaction	Pricing principle of related transaction	Price of related transaction	Amount of related transaction (CNY‘0000)	Proportion in the same kind of transaction (%)	Approved transaction credit(CNY’ 0000)	Whether or not exceed approved credit	Settlement method of related transaction	Market price of securable same transaction	Date of disclosure	Disclosure index
Yantai Changyu Group Co. Ltd.	Parent Co.	Leasing assets	Leasing storage	On the base of market price, negotiated pricing	Agreement price	292.9	0.32%	585.8	No	Cash	—	2016.04.29	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202265212?announceTime=2016-04-29
Yantai Changyu Group Co. Ltd.	Parent Co.	Leasing assets	Leasing buildings and facilities	On the base of market price, negotiated pricing	Agreement price	0	0 %	309.3	No	Cash	—	2016.04.29	
Yantai Changyu Wine Culture Museum Company	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price, negotiated pricing	Agreement price	766	0.28%	1,110	No	Cash	—	2016.04.29	
Yantai Changyu Window of	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price,	Agreement price	500	0.18%	1,310	Yes	Cash	—	2016.04.29	

Wine City Co.				negotiated pricing								
Yantai Changyu Zhongya Medicine & Healthy Liquors Co., Ltd	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price, negotiated pricing	Agreement price	206	0.07%	218	No	Cash	—	2016.04.29
Yantai Shenma Packaging Co.Ltd.	Under the same Parent Co.	Selling commodities	Supplying water, power and gas	On the base of market price, negotiated pricing	Agreement price	77	0.03%	178	No.	Cash	—	2016.04.29
Yantai Shenma Packaging Co.Ltd.	Under the same Parent Co.	Purchasing and Consign processing packing materials	Purchasing package materials	On the base of market price, negotiated pricing	Agreement price	7,191	7.97%	19,031	No	Cash	—	2016.04.29
Yantai Changyu Wine Culture Museum Company	Under the same Parent Co.	Purchasing commodities or services	Purchasing liquor products' derivatives	On the base of market price, negotiated pricing	Agreement price	464	0.51%	450	No	Cash	—	2016.04.29
Yantai Changyu Window of Wine City Co.	Under the same Parent Co.	Purchasing commodities or services	Purchasing liquor products' derivatives	On the base of market price, negotiated pricing	Agreement price	30	0.03%	62	No	Cash	—	2016.04.29
Yantai	Under the same	Purchasing	Purchasing	On the base	Agreement	555	0.61%	1,173	No	Cash	—	2016.04.29

Changyu Zhongya Medicine & Healthy Liquors Co., Ltd	Parent Co.	commodities or services	liquor products'	of market price, negotiated pricing	price									
Yantai Changyu Group Co. Ltd.	Parent Co.	Intangible assets licensed use	Permission to use the trademark	On the base of market price, negotiated pricing	Agreement price	4,627	100%	8,,908	No	Cash	—	2016.04.29		
Yantai Changyu Group Co. Ltd.	Parent Co.	Intangible assets licensed use	Permission to use patents	On the base of market price, negotiated pricing	Agreement price	2.5	100%	5	No	Cash	—	2016.04.22		
Total				--	--	14,711.4	--	33,340.1	--	--	--	--	--	
The details of the large sales returns				No.										
The total amount of the transaction will be expected according to its category and its actual performance during the report period (if have)				No.										
The reasons of big differences between the transaction price and the market reference price(if available)				No.										

2)、 Related transactions in asset procurement and sale

□ available √not available

There are no related transactions in asset procurement and sale during the report period.

3)、Important related transactions in joint external investment

□ available √not available

There are no important related transactions in joint external investment during the report period.

4)、Record of related credits and liabilities

□ available √not available

There is no record of non-operating related credits and liabilities.

5)、Other important related transactions

□ available √not available

There are no other important related transactions in the report period.

8. Controlling shareholder and related party in funds occupation situation of non-operating of the Listed Company

□ available √not available

There are no situation in controlling shareholder and related party in funds occupation of non-operating of the Listed Company.

9. Major and important contracts and execution results

1)、Trusteeship, contract and leasehold issues

① Trusteeship situation

□ available √not available

There are no trusteeships happened during the report period

② Contract situation

√available □not available

The explanation of Contract situation

During the report period, about the contract operation situation, please see Annex 7 "Notes to consolidated financial statement" in the Financial Report of this report.

Project in gains and losses for the Company to achieve more than 10% of the total profit

□ Available √ Not Available

There are no contract projects in gains and losses for the Company to achieve more than 10% of the total profit during the report period.

③Leasehold situation explanation

√available □not available

On 1st January 2012, the Company renewed the *Space Lease Agreement* with the controlling shareholder Changyu Group, the Company leased the space with 57749.77 square meters located at 174 Shihuiyao Road, Zhifu District,Yantai City and the space with 3038 square meters located at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of the above spaces per year is CNY 5.858 million with a period of 5 years from 1st January 2012 to 31st December 2016.

Project in gains and losses for the Company to achieve more than 10% of the total profit

□ Available √ Not Available

There are no leasehold projects in gains and losses for the Company to achieve more than 10% of the total profit during the report period.

2)、Guarantee situation

□ available √not available

There are no guarantees situation during the report period.

3)、 Other important contracts

□ available √not available

There are no other important contracts during the report period.

4)、 Other substantial transaction

□ available √not available

There is no other substantial transaction during the report period.

10. The commitments of the Company or shareholders of the Company holding more than 5% during the report period or until the report period

√available □not available

Commitments	Commitment Party	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform	-	—			
Commitments made in acquisition report or equity changes report	-	-		-	-
Commitments at asset restructuring	-	-		-	-
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co, Ltd	Solving Intra-industry competition	1997.05.18	Forever	Has been performed
	Yantai Changyu Group Co., Ltd	Clearing Purpose of trademark royalty	1997.05.18	Forever	Has been performed
Commitments made to the minority shareholders of the Company	-	-		-	-
Commitment under timely implementation or not	Yes				
Specific reasons of not completing the implementation and the next step	No				

11. The appointment and dismissal of certified public accountants

During the report period, the Company reappoints Deloitte Hua Yong Certified Public Accountants Co., LTD as the Company's auditor in 2016.

12. Punishment and rectification

□ available √not available

There is no punishment and rectification situation happened during the report period.

13. Withdrawal risk revelation of violating laws and rules

□ available √not available

There is no withdrawal risk revelation of violating laws and rules during the report period.

14. Explanation for other significant matters

□ available √not available

There are no other significant matters during the report period.

15. Corporate bonds situation

Whether there are corporate bonds which are issued publicly and listed at stock exchanges, and which are not yet due at the authorized disclosure date of semi-annual report or haven't not been cashed in full amount at the expiry date.

No

VI、Changes in Shares and the Shareholders' Situation

1. Changes in shares

Unit: Share

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	others	Sub total	Amount	Percentage %
2、Unrestricted shares	685,464,000	100%						685,464,000	100%
(1)、A shares	453,460,800	66.15%						453,460,800	66.15%
(2)、B shares	232,003,200	33.85%						232,003,200	33.85%
3、Total shares	685,464,000	100%						685,464,000	100%

Cause of share change

□ available √not available

Approval of stock change

□ available √not available

Transfer of changed shares

□ available √not available

The influence of stock change on the financial indicators such as basic earnings per share, diluted earnings per share of the latest year and the latest period, net asset per share belonging to the Company's common stock holders, etc..

□available √not available

Other contents which the Company thinks necessarily or securities regulatory departments claim to disclose.

□available √not available

Changes situation in the Company's total shares, structure of shareholders, the Company's assets and liabilities

□available √not available

2. The number of shareholders of the Company and the shareholdings

Unit: share

<table>
<tr><td colspan="2">Total common shareholders at the end of report period</td><td colspan="3">36,425 (19,641 of Stock A and 16,784 of Stock B)</td><td colspan="2">Total number of preferred shareholder recovering voting power at the end of report period</td><td colspan="2">0</td></tr>
<tr><td colspan="9">Shareholders holding more than 5% or become a top 10 shareholders.</td></tr>
<tr><td rowspan="2">Name of Shareholders</td><td rowspan="2">Character of shareholders</td><td rowspan="2">Percentage (%)</td><td rowspan="2">Shares held until the end of the report period</td><td rowspan="2">Changes during the report period</td><td rowspan="2">Number of restricted shares</td><td rowspan="2">Number of unrestricted shares</td><td colspan="2">Pledged or frozen</td></tr>
<tr><td>Share status</td><td>Amount</td></tr>
<tr><td>YANTAI CHANGYU GROUP CO. LTD.</td><td>Domestic non-state-owned legal person</td><td>50.40%</td><td>345,473,856</td><td>0</td><td></td><td>345,473,856</td><td></td><td></td></tr>
<tr><td>GAOLING FUND,L.P.</td><td>Foreign legal person</td><td>3.11%</td><td>21,300,919</td><td>0</td><td></td><td>21,300,919</td><td></td><td></td></tr>
<tr><td>CHINA SECURITIES FINANCE CORPORATION LIMITED</td><td>State-owned legal person</td><td>2.33%</td><td>15,987,255</td><td>-10,200</td><td></td><td>15,987,255</td><td></td><td></td></tr>
<tr><td>BBH BOS S/A FIDELITY FD - CHINA FOCUS FD</td><td>Foreign legal person</td><td>2.22%</td><td>15,241,826</td><td>-334,300</td><td></td><td>15,241,826</td><td></td><td></td></tr>
<tr><td>GOLDEN CHINA MASTER FUND</td><td>Foreign legal person</td><td>1.03%</td><td>7,089,916</td><td>-300,000</td><td></td><td>7,089,916</td><td></td><td></td></tr>
<tr><td>GREENWOODS CHINA ALPHA MASTER FUND</td><td>Foreign legal person</td><td>0.99%</td><td>6,773,544</td><td>-1,843,927</td><td></td><td>6,773,544</td><td></td><td></td></tr>
<tr><td>NORGES BANK</td><td>Foreign legal person</td><td>0.96%</td><td>6,584,748</td><td>886,296</td><td></td><td>6,584,748</td><td></td><td></td></tr>
<tr><td>Tian’an Property insurance CO., LTD—Baoying No. 1</td><td>Domestic non-state-owned legal person</td><td>0.86%</td><td>5,896,731</td><td>5,896,731</td><td></td><td>5,896,731</td><td></td><td></td></tr>
<tr><td>GUOTAI JUNAN SECURITIES (HONGKONG LIMITED)</td><td>Foreign legal person</td><td>0.81%</td><td>5,522,276</td><td>852,704</td><td></td><td>5,522,276</td><td></td><td></td></tr>
<tr><td>CENTRAL HUIJIN INVESTMENT LIMITED</td><td>State-owned legal person</td><td>0.69%</td><td>4,761,200</td><td>0</td><td></td><td>4,761,200</td><td></td><td></td></tr>
<tr><td colspan="3">Strategic investors or legal result of the placement of new shares to become a top 10 shareholders</td><td colspan="6">No</td></tr>
</table>

The explanation for the associated relationship and accordant action of the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.

The top 10 shareholders with unrestricted shares			
Name of Shareholders	Number of unrestricted shares held until the end of the report period	Type of share	
		Type of share	Amount
YANTAI CHANGYU GROUP CO., LTD.	345,473,856	A share	345,473,856
GAOLING FUND,L.P.	21,300,919	B share	21,300,919
CHINA SECURITIES FINANCE CORPORATION LIMITED	15,987,255	A share	15,987,255
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	15,241,826	B share	15,241,826
GOLDEN CHINA MASTER FUND	7,089,916	B share	7,089,916
GREENWOODS CHINA ALPHA MASTER FUND	6,773,544	B share	6,773,544
NORGES BANK	6,584,748	B share	6,584,748
Tian'an Property insurance CO., LTD—Baoying No. 1	5,896,731	A share	5,896,731
GUOTAI JUNAN SECURITIES (HONGKONG LIMITED)	5,522,276	B share	5,522,276
CENTRAL HUIJIN INVESTMENT LIMITED	4,761,200	A share	4,761,200
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the Top 10 shareholders who involved in financing activities and stock trading business	The top 10 Shareholders is not involved in financing activities and stock trading business.		

Whether or not to be agreed to buy back trading by Company shareholders during the report period

□ Yes √ No

There is no agreed to buy back trading by Company shareholders during the report period.

3. Controlling shareholder or changes of the actual controllers situation

Changes of the controlling shareholder during the report period

□ available √not available

There is no any change of the controlling shareholder during the report period.

Changes of the actual controllers during the report period

□ available √not available

There is no any Change of the actual controllers during the report period

4. Company's shareholders and Consistent behavior person offer or carry out the plan of increasing rights issue during the period.

□ available √ not available

In the context of Company known, Company's shareholders and Consistent behavior person did not offer or carry out the plan of increasing rights issue during the period.

VII、elative situation for preferred Shares

□ available √ not available

There are no preferred shares during the report period.

VIII、Situation for Directors, Supervisors, Senior Management

1. Changes in shareholdings of directors, supervisors and senior management

□ available √not available

There are no any changes in shareholdings of directors, supervisors and senior management during the report period, details see 2015 annual report

2. Personnel changes in Company's directors, supervisors and senior management

√available □not available

Name	Positions held	Type	Date	Reason
Sun Liqiang	Chairman to the Board of Directors	Elected	2016.05.26	-
Zhou Hongjiang	Vice-chairman to the Board of Directors and General manager	Elected	2016.05.26	-
Leng Bin	Director and Vice-general manager	Elected	2016.05.26	
Qu Weimin	Director, Vice-general manager and Secretary to the Board of Directors	Elected	2016.05.26	-
Zhang Ming	Director	Elected	2016.05.26	-
Chen Jizong	Director	Leave after tenure	2016.05.26	-
Augusto Reina	Director	Elected	2016.05.26	-
Aldino Marzorati	Director	Elected	2016.05.26	-
Antonio Appignani	Director	Elected	2016.05.26	-
Dai Hui	Director	Elected	2016.05.26	-
Xiao Wei	Independent director	Leave after tenure	2016.05.26	-
Wang Zhuquan	Independent director	Elected	2016.05.26	-
Wang Shigang	Independent director	Elected	2016.05.26	-
Kong Qingkun	Chairman to the Board of Supervisors	Elected	2016.05.26	-
Zhang Lanlan	Supervisor	Elected	2016.05.26	-
Liu Zhijun	Supervisor	Elected	2016.05.26	-
Guo Ying	Supervisor	Leave after tenure	2016.05.26	-
Yang Ming	Vice-general manager	Appointed		-
Li Jiming	Chief engineer	Appointed		-
Jiang Hua	Vice-general manager	Appointed		-
Sun Jian	Vice-general manager	Appointed		-
Jiang Jianxun	Finance manager	Appointed		-

IX、Financial Report

1. Audit report

Whether the semi-annual report has been audited

□ Yes √ No

The semi-annual report has not been audited.

2. Financial statement

The unit in the statement of the financial annotations is RMB Yuan.

2.1 Consolidated balance sheet

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary fund	7.1	1,834,011,453	1,285,362,414
Settlement reserves			
Lending funds			
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable	7.2	216,068,017	113,988,122
Accounts receivable	7.3	190,619,346	197,795,091
Advance payment	7.4	1,882,857	3,591,098
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Interest receivable	7.5	10,597,464	8,019,338
Dividends receivable			
Other receivables	7.6	52,020,362	46,146,487
Buy-in/sell-out financial assets			
Inventories	7.7	1,846,973,146	2,260,852,964
Assets classified as holding and available for sale			
Non-current assets due within one year			
Other current assets	7.8	72,314,194	48,449,551
Total current assets		4,224,486,839	3,964,205,065
Non-current assets:			
Offering loans and imprest			
Available-for-sale financial assets	7.9	345,365	402,814
Held-to-maturity investments			
Long-term receivables			

Item	Note	Ending balance	Beginning balance
Long-term equity investments			
Investment real estate			
Fixed assets	7.10	3,060,879,719	3,089,245,185
Construction in progress	7.11	2,746,671,930	2,005,990,308
Construction materials			
Disposal of fixed assets			
Productive biological assets	7.12	213,066,292	192,198,283
Oil and gas assets			
Intangible assets	7.13	457,478,541	463,899,916
Development expenditure			
Goodwill	7.14	119,486,579	105,504,426
Long-term prepaid expenses	7.15	184,975,882	175,124,167
Deferred tax assets	7.16	259,796,155	302,406,656
Other non-current assets	7.17	17,137,746	45,234,641
Total non-current assets		7,059,838,209	6,380,006,396
Total assets		11,284,325,048	10,344,211,461
Current liabilities:			
Short-term loans	7.18	666,553,181	665,581,921
Borrowings from the Central Bank			
Customer and interbank deposits			
Borrowing funds			
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable	7.19	8,130,000	29,000,000
Accounts payable	7.20	371,213,214	569,278,368
Advances from customers	7.21	363,853,981	234,566,504
Financial assets sold for repurchase			
Handling fees and commissions payable			
Employee benefits	7.22	143,058,770	190,239,451
Taxes payable	7.23	-66,369,334	41,285,107
Interest payable	7.24	993,011	977,304
Dividends payable			
Other payables	7.25	688,773,399	509,226,395
Dividend payable for reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Liabilities classified as holding and available for sale			
Non-current liabilities due within one year	7.26	133,174,814	156,335,647
Other current liabilities	7.27	11,181,873	11,241,873
Total current liabilities		2,320,562,909	2,407,732,570
Non-current liabilities:			
Long-term borrowings	7.28	96,812,039	71,686,629
Bonds payable			
Including: Preferred stock			

Item	Note	Ending balance	Beginning balance
Perpetual capital securities			
Long-term accounts payable		305,000,000	
Long-term employee remunerations payable			
Special accounts payable			
Estimated liabilities			
Deferred income	7.29	64,372,808	69,836,411
Deferred tax liabilities	7.16	33,561,414	34,350,349
Other non-current liabilities	7.30	4,047,476	4,047,476
Total non-current liabilities		503,793,737	179,920,865
Total liabilities		2,824,356,646	2,587,653,435
Owner's equity:			
Capital stock	7.31	685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus	7.32	565,955,441	565,955,441
Minus: Treasury stock			
Other comprehensive income	7.33	-4,192,593	-10,442,512
Special reserves			
Surplus reserves	7.34	342,732,000	342,732,000
General risk preparation			
Retained earnings	7.35	6,675,411,921	5,980,390,074
Total owner's equities attributable to the parent company		8,265,370,769	7,564,099,003
Minority equity		194,597,633	192,459,023
Total owner's equities		8,459,968,402	7,756,558,026
Total liabilities and owner's equities		11,284,325,048	10,344,211,461

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.2 Balance sheet of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary fund		651,156,049	280,818,833
Financial assets measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial assets			
Bills receivable		83,285,165	38,429,319
Accounts receivable	15.1	643,457	2,392,870
Advance payment		692,647	445,619
Interest receivable		10,597,464	8,019,338
Dividends receivable			788,092,349
Other receivables	15.2	5,996,770,824	5,734,456,129

Item	Note	Ending balance	Beginning balance
Inventories		698,090,569	728,173,107
Assets classified as holding and available for sale			
Non-current assets due within one year			
Other current assets		20,226,824	22,700,317
Total current assets		7,461,462,999	7,603,527,881
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	15.3	1,423,725,152	1,423,725,152
Investment real estate			
Fixed assets		358,616,108	369,506,014
Construction in progress		7,064,987	7,990,777
Construction materials			
Disposal of fixed assets			
Productive biological assets		123,094,017	110,961,189
Oil and gas assets			
Intangible assets		73,191,949	74,381,525
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		35,472,970	37,938,692
Other non-current assets			
Total non-current assets		2,021,165,183	2,024,503,349
Total assets		9,482,628,182	9,628,031,230
Current liabilities:			
Short-term loans		598,000,000	601,297,447
Financial liabilities measured at the fair value and the variation of which is recorded into the current profit and loss			
Derivative financial liabilities			
Bills payable			
Accounts payable		106,048,766	273,091,182
Advances from customers			
Employee benefits		63,402,695	71,058,615
Taxes payable		-9,021,130	19,331,311
Interest payable		993,011	977,304
Dividends payable			
Other payables		376,440,988	994,821,281
Liabilities classified as holding and available for sale			
Non-current liabilities due within one year		129,914,400	127,345,600
Other current liabilities		1,767,054	1,767,054
Total current liabilities		1,267,545,784	2,089,689,794
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			

Item	Note	Ending balance	Beginning balance
Long-term accounts payable			
Long-term employee remuneration payable			
Special accounts payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		67,071,981	80,530,907
Total liabilities		1,334,617,765	2,170,220,701
Owner's equity:			
Capital stock		685,464,000	685,464,000
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital surplus		557,222,454	557,222,454
Minus: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		342,732,000	342,732,000
Retained earnings		6,562,591,963	5,872,392,075
Total owner's equities		8,148,010,417	7,457,810,529
Total liabilities and owner's equities		9,482,628,182	9,628,031,230

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.3 Consolidated profit statement

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Total operating income		2,753,032,799	2,825,793,250
Including: Operating income	7.36	2,753,032,799	2,825,793,250
Interest income			
Earned premium			
Handling fee and commission income			
2. Total operating costs		1,840,237,208	1,842,448,784
Including: Operating costs	7.36	902,734,104	932,522,743
Interest expenditure			
Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of the withdrawn reserve fund for insurance contract			
Policy bonus payment			
Amortized reinsurance expenditures			
Taxes and surcharges	7.37	153,081,792	140,611,088
Selling expenses	7.38	650,737,234	653,425,516

Administrative expenses	7.39	122,695,845	119,770,340
Financial expenses	7.40	10,988,233	-3,880,903
Loss for impairment of assets			
Plus: Fair value charge profit (loss is listed with "-")			
Investment profit (loss is listed with "-")			
Including: Investment profit for joint-run business and joint venture			
Exchange income (loss is listed with "-")			
3. Operating profit (loss is listed with "-")		912,795,591	983,344,466
Plus: Non-operating income	7.41	21,933,526	8,796,834
Including: Gains on disposal of non-current assets		94,567	2,985
Minus: Non-operating expenses	7.42	343,776	353,951
Including: Losses on disposal of non-current assets		110,052	1,564
4. Total profits (total loss is listed with "-")		934,385,341	991,787,349
Minus: Income taxes	7.43	238,715,481	245,727,101
5. Net profit (net loss is listed with "-")		695,669,860	746,060,248
Attributable to owner of the parent company		695,021,847	746,060,248
Minority shareholder interests		648,013	
6. Net after-tax amount of other comprehensive income	7.44	6,701,754	-4,144,991
Net after-tax amount of other comprehensive income attributable to owner of the parent company		6,249,919	-4,144,991
6.1 Other comprehensive income not to be reclassified into profit and loss later			
6.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
6.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
6.2 Other comprehensive income to be reclassified into profit and loss later		6,249,919	-4,144,991
6.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
6.2.2 Profit and loss from changes in fair value of financial assets for sale			
6.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
6.2.4 Effective part of profit and loss of cash-flow hedge			
6.2.5 Difference in translation of Foreign Currency Financial Statement		6,249,919	-4,144,991
6.2.6 Other			
Net after-tax amount of other comprehensive income attributable to minority shareholders		451,835	
7. Total comprehensive income		702,371,614	741,915,257
(1) Attributable to owner of the parent company		701,271,766	741,915,257
(2) Attributable to minority shareholders		1,099,848	
8. Earnings per share			
(1) Basic earnings per share		1.01	1.09
(2) Diluted earnings per share		1.01	1.09

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.4 Profit statement of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Operating income	15.4	655,299,000	689,053,229
Minus: Operating costs	15.4	501,312,599	548,385,836
Taxes and surcharges		73,401,856	75,959,486
Selling expenses			
Administrative expenses		55,027,172	57,715,566
Financial expenses		18,250,416	-7,041,547
Loss for impairment of assets			
Plus: Fair value charge profit (loss is listed with "-")			
Investment profit (loss is listed with "-")	15.5	683,891,453	46,770,286
Including: Investment profit for joint-run business and joint venture			
2. Operating profit (loss is listed with "-")		691,198,410	60,804,174
Plus: Non-operating income		1,141,128	3,158,421
Including: Gains on disposal of non-current assets		94,567	
Minus: Non-operating expenses		36,839	301,089
Including: losses on disposal of non-current assets		21,839	
3. Total profits (total loss is listed with "-")		692,302,699	63,661,506
Minus: Income tax		2,102,811	4,222,805
4. Net profit (net loss is listed with "-")		690,199,888	59,438,701
5. Net after-tax amount of other comprehensive income			
5.1 Other comprehensive income not to be reclassified into profit and loss later			
5.1.1 Net liabilities or net assets change after remeasuring and resetting the benefit plans			
5.1.2 Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law			
5.2 Other comprehensive income to be reclassified into profit and loss later			
5.2.1 Share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law			
5.2.2 Profit and loss from changes in fair value of financial assets for sale			
5.2.3 Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale			
5.2.4 Effective part of profit and loss of cash-flow hedge			
5.2.5 Difference in translation of Foreign Currency Financial Statement			
5.2.6 Other			
6. Total comprehensive income		690,199,888	59,438,701
7. Earnings per share			
(1) Basic earnings per share		1.01	0.09
(2) Diluted earnings per share		1.01	0.09

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department

Manager: Jiang Jianxun

2.5 Consolidated statement of cash flow

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Sum of current period	Sum of prior period
1. Cash flows from operating activities:		
Cash received from sales of goods and rending of services	2,706,821,883	2,745,943,886
Net increase in customer and interbank deposits		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase in policy holder deposits and investment funds		
Net increase after disposal of financial assets measured at the fair value and the variation of which is recorded into the current profit and loss		
Cash received from collecting interest, handling fees and commission		
Net increase in borrowings		
Net increase in repurchasement business funds		
Tax refund received	13,866,472	
Other cash received related to operating activities	27,834,008	8,212,963
Subtotal of cash flows of operating activities	2,748,522,363	2,754,156,849
Cash paid for goods and services	635,982,569	377,725,712
Net increase in customer loans and advances		
Net increase in deposits in central bank and interbank deposits		
Cash paid to original insurance contract payments		
Cash paid to interest, handling fees and commission		
Cash paid to policy bonus		
Cash paid to and on behalf of employees	230,296,149	205,574,897
Cash paid for taxes and expenses	756,992,525	853,362,703
Other cash paid related to operating activities	442,502,751	390,330,477
Sub-total of cash outflows of operating activities	2,065,773,994	1,826,993,789
Net cash flow from operating activities	682,748,369	927,163,060
2. Cash flow from investing activities:		
Cash received from return of investment		
Fixed deposit with the term of over 3 months	8,000,000	26,245,259
Cash received from obtaining investment profit	28,483	859,212
Cash received from disposal of fixed assets, intangible assets and other long-term assets	233,355	100
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
Subtotal of cash flows of investment activities	8,261,838	27,104,571
Cash paid to acquire fixed assets, intangible assets and other long-term assets	398,151,685	452,285,573
Cash for investment		
Cash paid to buy fixed deposit with the term of over 3 months	7,007,000	7,000,000
Net increase in hypothecated loan		

Item	Sum of current period	Sum of prior period
Net cash paid to acquire branch and other business unit	762,436	
Other cash paid related to investment activities		
Subtotal of cash outflows of investment activities	405,921,121	459,285,573
Net cash flow from investing activities	-397,659,283	-432,181,002
3. Cash flow from financing activities		
Cash received from acquiring investment		
Including: cash received from acquiring minority shareholders investment by branch		
Cash received from acquiring loans	809,175,350	
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal cash flows of financing activities	809,175,350	
Cash paid to pay debts	512,516,014	15,562,400
Cash paid to distribute dividend, profit or pay interest	16,940,912	8,357,292
Including: dividend and profit paid to minority shareholders by branch		
Other cash paid related to financing activities	20,000,000	
Subtotal of cash outflows of financing activities	549,456,926	23,919,692
Net cash flow from financing activities	259,718,424	-23,919,692
4. Influences of exchange rate fluctuation on cash and cash equivalents	6,885,883	-508,117
5. Net Increase in cash and cash equivalents	551,693,393	470,554,249
Plus: balance at the beginning of the period of cash and cash equivalents	1,092,241,661	960,472,274
6. Balance at the end of the period of cash and cash equivalents	1,643,935,054	1,431,026,523

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.6 Statement of cash flow of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd. Unit: Yuan

Item	Sum of current period	Sum of prior period
1. Cash flows from operating activities:		
Cash received from sales of goods and rending of services	595,186,103	373,810,768
Tax refund received		
Other cash received related to operating activities	239,938	22,816,369
Subtotal of cash flows of operating activities	595,426,041	396,627,137
Cash paid for goods and services	324,226,720	197,172,825
Cash paid to and on behalf of employees	79,790,054	80,634,457
Cash paid for taxes and expenses	88,941,454	122,745,455
Other cash paid related to operating activities	846,691,535	22,075,594
Sub-total of cash outflows of operating activities	1,339,649,763	422,628,331
Net cash flow from operating activities	-744,223,722	-26,001,194
2. Cash flow from investing activities:		
Cash received from return of investment		350,000
Fixed deposit with the term of over 3 months	8,000,000	26,245,259

Item	Sum of current period	Sum of prior period
Cash received from obtaining investment profit	1,164,454,077	47,629,498
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	231,240	
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
Subtotal of cash flows of investment activities	1,172,685,317	74,224,757
Cash paid to acquire fixed assets, intangible assets and other long-term assets	15,892,483	20,197,080
Cash for investment		
Cash paid to buy fixed deposit with the term of over 3 months	7,007,000	7,000,000
Net cash paid to acquire branch and other business unit		
Other cash paid related to investment activities		
Subtotal of cash outflows of investment activities	22,899,483	27,197,080
Net cash flow from investing activities	1,149,785,834	47,027,677
3. Cash flow from financing activities		
Cash received from acquiring investment		
Cash received from acquiring loans	400,000,000	
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal cash flows of financing activities	400,000,000	
Cash paid to pay debts	420,114,492	15,562,400
Cash paid to distribute dividend, profit or pay interest	13,936,049	8,357,292
Other cash paid related to financing activities		
Subtotal of cash outflows of financing activities	434,050,541	23,919,692
Net cash flow from financing activities	-34,050,541	-23,919,692
4. Influences of exchange rate fluctuation on cash and cash equivalents		
5. Net Increase in cash and cash equivalents	371,511,571	-2,893,209
Plus: balance at the beginning of the period of cash and cash equivalents	143,798,080	333,245,466
6. Balance at the end of the period of cash and cash equivalents	515,309,651	330,352,257

Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.7 Consolidated owner’s equity changing list

Unit: Yuan

Item	This period												
	Owners’ equity of the parent company											Minority shareholders’ equity	Total owners’ equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				565,955,441		-10,442,512		342,732,000		5,980,390,074	192,459,023	7,756,558,026
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				565,955,441		-10,442,512		342,732,000		5,980,390,074	192,459,023	7,756,558,026
3. Increased or decreased amount in this period (reducing amount is listed with "-")							6,249,919				695,021,847	2,138,610	703,410,376
3.1 Total comprehensive income							6,249,919				695,021,847	1,099,848	702,371,614
3.2 Owners' invested and reduced capital												1,038,762	1,038,762
3.2.1 Shareholders’ invested common stock													
3.2.2 Other equity instrument holders’ invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													

3.2.4 Other												1,038,762	1,038,762
3.3 Profit distribution													
3.3.1 Accrued surplus reserves													
3.3.2 Accrued general risk preparation													
3.3.3 Distribution to owners (or shareholders)													
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Withdrawal in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		-4,192,593		342,732,000		6,675,411,921	194,597,633	8,459,968,402

Unit: Yuan

Item	Prior period												
	Owners’ equity of the parent company											Minority shareholders’ equity	Total owners’ equity
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Perpetual capital securities	Other									
1. Balance at the end of last year	685,464,000				563,139,042		-2,803,271		342,732,000		5,251,920,374	162,740,779	7,003,192,924
Plus: Accounting policies changing													
Previous error correction													
Business combination under common control													
Other													
2. Balance at the beginning of this year	685,464,000				563,139,042		-2,803,271		342,732,000		5,251,920,374	162,740,779	7,003,192,924
3. Increased or decreased amount in this period (reducing amount is listed with "-")					2,816,399		-7,639,241				728,469,700	29,718,244	753,365,102
3.1 Total comprehensive income							-7,639,241				1,030,073,860	99,235	1,022,533,854
3.2 Owners' invested and reduced capital					2,816,399							29,619,009	32,435,408
3.2.1 Shareholders’ invested common stock												32,585,408	32,585,408
3.2.2 Other equity instrument holders’ invested capital													
3.2.3 Amount of shares paid and reckoned in owners' equity													
3.2.4 Other					2,816,399							-2,966,399	-150,000
3.3 Profit distribution											-301,604,160		-301,604,160

3.3.1 Drew surplus reserves													
3.3.2 Drew general risk preparation													
3.3.3 Distribution to owners (or shareholders)											-301,604,160		-301,604,160
3.3.4 Other													
3.4 Internal transfer of owners' equity													
3.4.1 Capital reserves transferred and increased capital (or capital stock)													
3.4.2 Surplus reserves transferred and increased capital (or capital stock)													
3.4.3 Surplus reserves covering deficit													
3.4.4 Other													
3.5 Special reserves													
3.5.1 Accrual in this period													
3.5.2 Usage in this period													
3.6 Other													
4. Balance at the end of this period	685,464,000				565,955,441		-10,442,512		342,732,000		5,980,390,074	192,459,023	7,756,558,026

2.8 Owner’s equity changing list of the parent company

Unit: Yuan

Item	This period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners’ equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	5,872,392,075	7,457,810,529
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	5,872,392,075	7,457,810,529
3. Increased or decreased amount in this period (reducing amount is listed with "-")										690,199,888	690,199,888
3.1 Total comprehensive income										690,199,888	690,199,888
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders’ invested common stock											
3.2.2 Other equity instrument holder’ invested capital											
3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution											
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)											
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and											

increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	6,562,591,963	8,148,010,417

Unit: Yuan

Item	Prior period										
	Capital stock	Other equity instruments			Capital reserves	Minus: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
1. Balance at the end of last year	685,464,000				557,222,454				342,732,000	4,620,476,137	6,205,894,591
Plus: Accounting policies changing											
Previous error correction											
Other											
2. Balance at the beginning of this year	685,464,000				557,222,454				342,732,000	4,620,476,137	6,205,894,591
3. Increased or decreased amount in this period (reducing amount is listed with "-")										1,251,915,938	1,251,915,938
3.1 Total comprehensive income										1,553,520,098	1,553,520,098
3.2 Owners' invested and reduced capital											
3.2.1 Shareholders' invested common stock											
3.2.2 Other equity instrument holder' invested capital											

3.2.3 Amount of shares paid and reckoned in owners' equity											
3.2.4 Other											
3.3 Profit distribution										-301,604,160	-301,604,160
3.3.1 Drew surplus reserves											
3.3.2 Distribution to owners (or shareholders)										-301,604,160	-301,604,160
3.3.3 Other											
3.4 Internal transfer of owners' equity											
3.4.1 Capital reserves transferred and increased capital (or capital stock)											
3.4.2 Surplus reserves transferred and increased capital (or capital stock)											
3.4.3 Surplus reserves covering deficit											
3.4.4 Other											
3.5 Special reserves											
3.5.1 Accrual in this period											
3.5.2 Usage in this period											
3.6 Other											
4. Balance at the end of this period	685,464,000				557,222,454				342,732,000	5,872,392,075	7,457,810,529

3. Basic information of this company

Yantai Changyu Pioneer Wine Co., Ltd. (the "Company", the "Joint-stock Company" or "the Group") was incorporated as a joint stock limited company in accordance with the *Company Law* of the People's Republic of China (the "PRC") in the merger and reorganization carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group Company") with its assets and liabilities in relation to wine business. The Company and its subsidiary companies (hereinafter uniformly referred to as the "Group") are principally engaged in the production and sales of wine, brandy and champagne. The registered address of the Company is Yantai City, Shandong Province, and the office address of the headquarters is 56 Dama Road, Zhifu District, Yantai City, Shandong Province.

As at June 30, 2016, the Company issued 685,464,000 shares accumulatively. Refer to Note 7.31 for the details.

The parent company of the Group is Changyu Group Company incorporated in China, which was ultimately actually controlled by Yantai Guofeng Investment Holding Co., Ltd., ILLVA Saronno Holding SpA, International Finance Corporation and Yantai Yuhua Investment & Development Co., Ltd.

The subsidiaries and the consolidated financial statement of the Company were approved by the Board of Directors on August 25, 2016.

The scope of the consolidated financial statement in this year can be seen in Note 9 "Equity in other entities". The scope changes of the consolidated financial statement in this year can be seen in Note 8 "Changes of the consolidated scope".

4. Basis of preparation of financial statement

4.1 Basis of preparation

The Group implements the Accounting Standards for Business Enterprises (including the new and revised editions published in 2014) ("ASBE") published by the Ministry of Finance and relevant regulations thereof. In addition, the Group also discloses relevant financial information in accordance with *Information Disclosure and Preparation Rules for Enterprises Publically Issuing Securities No.15 ---- General Rules for Financial Statement (Revised in 2014)*.

Note-accounting basis and pricing principle

The note-accounting basis of financial accounting adopted by the Group is accrual system and the measurement basis adopted by the Group in preparing its financial statement is historical cost. Subsequently, if the assets are impaired, impairment provisions are made in accordance with relevant accounting standards.

When the historical cost measurement is used, the assets are measured by the amount of cash or cash equivalent when the assets are purchased or the fair value of the consideration. The liabilities are measured by the actually received funds or assets for performing the current obligations, or the contract amount for performing the current obligations, or the amount of cash or cash equivalent paid for anticipated liabilities in the daily activities.

Fair value refers to a price received for selling an asset or paid for transferring a liability by the market participant in orderly transactions on the measurement date. No matter the fair value is observable or estimated by the valuation technique, the fair value measured and disclosed in this financial statement is recognized on this basis.

The fair value measurement is divided into three levels based on the observable degree of the input fair value and the importance of this input value on the whole fair value measurement:

*The input value of the first level is the unadjusted price of the same assets or liabilities which can be acquired in an active market on the measurement date.

*The input value of the second level is the directly or indirectly observable input value of relevant assets or liabilities except that of the first level.

*The input value of the third level is the unobservable input value of relevant assets or liabilities.

4.2 Continuous operation

The Group has appraised the ability of continuous operation for 12 months from June 30, 2016, and no issues and situations causing major doubts to this ability are found. Therefore, this financial statement is prepared on the basis of the continuous operation assumption.

5. Main accounting policies and accounting estimates

5.1 Statement on compliance with ASBE

This financial statement fulfills the requirement of ASBE and gives a true and integrated view of the financial status and the consolidated financial status as at June 30, 2016, and the operating result, the consolidated operating result, the cash flow and the consolidated cash flow of the Company from January to June 2016.

5.2 Accounting period

The accounting period of the Group is from January 1 to December 31.

5.3 Operating cycle

The operating cycle refers to the period from the enterprise purchases the assets used for processing to the cash or cash equivalent is realized. The operating cycle of the Company is 12 months.

5.4 Reporting currency

Since Renminbi (RMB) is the currency of the main economic environment in which the Company and the domestic subsidiary companies thereof are situated, the Company and the subsidiary companies thereof adopt RMB as the reporting currency. The overseas subsidiary companies thereof determine Euro as the reporting currency according to the main economic environment in which they are situated. The currency in this financial statement prepared by the Group is RMB.

5.5 Accounting treatment method for business combination under common control and non-common control

5.5.1 Business combination and goodwill under non-common control

A business combination under non-common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The combination cost shall be the fair value of the assets paid, the liabilities incurred or assumed or the equity instruments issued by the acquirer in exchange for the control over the acquiree. The intermediary expenses such as audit, legal services and assessment consultation and other related management expenses paid by the acquirer for business combination are included in the current profit and loss when they occur.

The identifiable assets, liabilities and contingent liabilities which are obtained from the acquiree in the business combination and meet the recognition conditions shall be measured on the acquisition date according to the fair value thereof.

If the combination cost is larger than the fair value of the identifiable net assets obtained from the acquire during the combination, the difference shall be recognized as business goodwill and initially measured according to the cost thereof.

The goodwill formed due to business combination shall be separately listed in the consolidated financial statement and measured on the basis of the cost minus the accumulative impairment provision.

5.6 Compiling methods of consolidated financial statement

The consolidation scope of the consolidated financial statement is determined on the basis of control. Control means that the investor holds the power in the investor, obtains variable returns by participating in relevant activities of the invested party and has the ability to affect the amount of the returns by using the power on the invested party. Once any change of the relevant facts and situations results in any change of relevant elements of the above definition of Control, the Group will carry out reappraisal.

The merger of any subsidiary company starts from the date when the Group acquires the power to control this subsidiary company, while the termination of any subsidiary company ends in the date when the Group losses the power to control this subsidiary company.

As for any subsidiary company disposed by the Group, the business result and the cash flow thereof before the disposal date (date of losing control power) shall have been properly included in the consolidated income statement and the consolidated cash flow statement.

As for any subsidiary company obtained in a business combination under non-common control, the business result and the cash flow thereof since the acquisition date (date of obtaining control power) shall have been properly included in the consolidated income statement and the consolidated cash flow statement.

The principal accounting policies and accounting period adopted by the subsidiary companies shall be determined in accordance with the accounting policies and accounting period uniformly regulated by the Company.

The influence of the internal transaction between the Company and the subsidiary companies as well as among subsidiary companies on the consolidated financial statement shall be neutralized at the time of combination.

The shares in the owner's equity of the subsidiary companies, which do not belong to the parent company, shall be recognized as the minority equity and listed under the item of “minority equity” of the owner’s equity in the balance sheet. The shares in the current profit and loss of the subsidiary companies, which belong to the minority equity, shall be listed under the item of “minority equity” of the net profit in the consolidated income statement.

If the loss of the subsidiary companies borne by minority shareholders exceeds the shares of the owner's equity entitled therein by the minority shareholders at the beginning of the period, the difference shall be still credited against the minority equity.

5.7 Recognition standards of cash and cash equivalents

Cash comprises cash on hand and demand deposit of the Company. Cash equivalents refer to short-term highly liquid investments which are readily convertible into known amount of cash with an insignificant risk of changes in value.

5.8 Foreign currency transaction and foreign currency statement translation

5.8.1 Foreign currency transaction

At the time of initial recognition of a foreign currency transaction, the amount of the foreign currency shall be translated into the amount of the reporting currency at the spot exchange rate on the transaction date.

The monetary items of the foreign currency transaction shall be translated into RMB at the spot change rate on the balance sheet date. The currency translation difference generated by the difference between the spot change rate on the balance sheet date and the spot change rate at the initial recognition or on the previous balance sheet date shall be included in the current profit and loss, except: ① the currency translation difference of the dedicated foreign currency loan that meets the capitalization condition shall be included in the cost of assets as capitalization during the capitalization period; ② the currency translation difference of the arbitrage tool to avoid foreign exchange risk shall be treated according to the hedge accounting method; ③ the currency translation difference of the available-for-sale monetary items generated by the book value other than the amortized cost shall be recognized as other comprehensive income and included in other comprehensive income.

The amount of the non-monetary items of the foreign currency transaction measured by historical cost shall be still translated into the amount in the reporting currency at the spot exchange rate on the transaction date. The non-monetary items of the foreign currency transaction measured by the fair value shall be translated at the spot exchange rate on the fair value date, and the difference between the amount in the reporting currency and the amount in original reporting currency shall be treated as the change of the fair value (including exchange rate movement) and shall be included in the current profit and loss or recognized as other comprehensive income.

5.8.2 Translation of foreign currency financial statement

In order to compile a consolidated financial statement, the foreign currency financial statement of overseas business shall be translated into RMB financial statement in accordance with the following methods: all asset and liability items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; the shareholders' equity items, except for the ones as "undistributed profits", shall be translated at the spot exchange rate at the time when they occur; all items and the items reflecting the accrual profit distribution in the profit statement shall be translated at the exchange rate similar to the spot exchange rate at the time when they occur; the undistributed profits at the beginning of the year shall be the translated to the undistributed profits at the end of the previous year; the undistributed profits at the end of the year shall be calculated and listed as the translated profit distribution items; and the difference between the asset items and the sum of the liability items and the shareholders' equity items shall be recognized as other comprehensive income and included in the shareholder's equity.

The foreign currency cash flows and the cash flows of the overseas subsidiary companies shall be translated at the exchange rate similar to the spot exchange rate at the time when they occur; the amount of the cash and cash equivalents impacted by the exchange rate movement shall be, as a reconciling item, separately listed under “impact of exchange rate movement on cash and cash equivalents” in the cash flow statement.

The balance at the beginning of the year and the actual amount of the previous year shall be listed as the amount translated according to the financial statement of the previous year.

5.9 Financial instruments

When becoming a party to a contract of financial instruments, the Group shall recognize a financial asset or financial liability. The financial assets and financial liabilities shall be measured at their fair value at the time of initial recognition. For other categories of financial assets and financial liabilities, relevant transaction expenses thereof shall be included in the initially recognized amount.

5.9.1 Effective interest method

The effective interest method refers to the method by which the amortized cost and the interest income or expenditure of different installments are calculated in light of the effective interest rates of the financial assets or financial liabilities (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current book value of the financial asset or financial liability.

When the effective interest rate is calculated, the Group predicts the future cash flow (taking no account of the future credit loss) on the basis of considering all the contractual provisions concerning the financial assets or financial liabilities, as well as all kinds of charges, transaction expenses, discounts, premiums, etc. which are paid, charged, and included in the effective interest rate between the contracting parties of the financial assets or liabilities.

5.9.2 Classification, recognition and measurement of financial assets

Financial assets are classified into the following categories when they are initially recognized: the financial assets which are measured at the fair value and the variation of which is included in the current profit and loss, the investments which will be held to their maturity, loans, accounts receivable and available-for-sale financial assets. The financial assets purchased and sold through common modes shall be recognized and terminated from recognition according to the accounting on the transaction date. The financial assets held by the Group are loans, accounts receivable and available-for-sale financial assets.

Loans and accounts receivable

Loans and accounts receivable refer to the non-derivative financial assets for which there is no quoted price in an active market and of which the repo amount is fixed or determinable. The financial assets classified by the Group into loans and accounts receivable include monetary capital, bills receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

The loans and accounts receivable shall be subsequently measured at amortized cost by adopting the effective interest rate method. The profits or losses that occur when such loans and accounts receivable are terminated from recognition, impaired or amortized shall be included in the current profit and loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale at the time of initial recognition and the financial assets other than those measured at their fair value and the variation of which is included in the current profit and loss, loans, accounts receivable and the investments which will be held to their maturity.

The equity instrument investment without quoted market price in an active market whose fair value cannot be reliably measured shall be measured by cost.

5.9.3 Impairment of financial assets

On each balance sheet date, the Group checks the book value of the financial assets. If there is any objective evidence indicating that a financial asset is impaired, the impairment provision is accrued. Objective evidence indicating the impairment of financial assets refers to those occurring after the initial recognition, have effect on the estimated future cash flow of the financial assets, and can be measured reliably.

The objective evidence indicating the impairment of the financial assets includes the following observable matters:

① A serious financial difficulty occurs to the issuer or the debtor;

② The debtor breaches any of the contractual stipulations, such as, failure to pay or delay of the payment of interest or principal;

③ The Group makes any concession due to economic, legal factors or other factors to the debtor which is in financial difficulties;

④ The debtor will probably become bankrupt or carry out other financial reorganizations;

⑤ The financial assets can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;

⑥ It is impossible to identify whether the cash flow of a certain asset within a certain group of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the estimated future cash flow of the said group of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, including:

* The payment ability of the debtor of the said group of financial assets worsens gradually;

* The country or economic region where the debtor is situated has the conditions that may cause the financial assets to be unpaid.

⑦ A serious unfavourable change occurs to the operating technology, market, economic environment, legal environment of the issuer of the equity instruments that causes the investor of the equity instruments can't recover the investment costs;
⑧ The fair value of the equity instrument investment has serious or permanent decline; and
⑨ Other objective evidence showing the depreciation of the financial assets.

* Impairment of financial assets measured by amortized cost

Where a financial asset measured at amortized cost is impaired, the book value of the said financial asset shall be written down to the current value of the predicted future cash flow determined according to the capitalization of original effective exchange rate (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be included into the current profit and loss. If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses originally recognized shall be reversed. However, the reversed book value shall not be any more than the amortized costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

An impairment test shall be made by the Group independently on the individually significant financial assets; with regard to not individually significant financial assets, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk characteristics so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including the individually significant financial assets and not individually significant financial assets) has not been impaired, it shall be included in a combination of financial assets with similar credit risk characteristics so as to conduct another impairment test. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of the financial assets with similar credit risk characteristics for impairment test.

* Impairment of available-for-sale financial assets measured by cost

When the equity instrument investment without quoted market price in an active market and the fair value of which cannot be reliably measured is impaired, the book value is decreased to the current value confirmed by the discounted future cash flow according to the current market return of the similar financial assets. The decreased amount is recognized as impairment loss and included in the current profit and loss. The impairment loss of this kind of financial assets can't be transferred back upon confirmation.

5.9.4 Transfer of financial assets

Where a financial asset satisfies any of the following conditions, it shall be terminated from recognition: (1) where the contractual rights for collecting the cash flow of the said financial asset are terminated; (2) where the said financial asset has been transferred and all the risks and rewards of the financial asset have been substantially transferred to the receiver; (3) where the financial asset has been transferred, although the Group does not transfer or retain almost all the risks and rewards of the financial asset, the Group still waives the control over the financial asset.

Where the overall transfer of the financial asset satisfies the derecognition conditions, the difference between the book value of the transferred financial asset as well as the consideration received due to such transfer and the summation of the cumulative amount of the fair value of the asset that is originally included in other comprehensive income shall be included in the current profit and loss.

5.9.5 Classification, recognition and measurement of financial liabilities

The Group classifies the financial instruments or the components as financial liabilities or equity instruments at the time of initial recognition according to the contract terms of the issued financial instruments and the reflected economic essence rather than only the legal form, considering the definition of financial liabilities and equity instruments.

The financial liabilities are classified as the financial liabilities and other financial liabilities measured by fair value and the variation of which is included in the current profit and loss at the time of initial recognition. The financial liabilities of the Group are other financial liabilities, including short-term loans, notes payable, accounts payable, interest payable, other payables and long-term loans.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost by adopting effective interest rate method, wherein the profits or losses that arise when such financial liabilities are terminated from recognition or amortized shall be included in the current profit and loss.

5.9.6 Terminated recognition of financial liabilities

When the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability shall be terminated in all or in part. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liability 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, the recognition of the existing financial liability shall be terminated, and at the same time the new financial liability shall be recognized.

Where the recognition of a financial liability is totally or partially terminated, the difference between the book value of the part which has been terminated from recognition and the consideration which has been paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be included into the current profit and loss.

5.9.7 Offset of financial assets and financial liabilities

When the Group has the legal right to offset the recognized financial assets and financial liabilities and this right can be implemented at present, and when the Group plans to use net settlement or liquidate the financial assets and pay off the financial liabilities, the amount after the financial assets offset the financial liabilities is listed in the balance sheet. Besides, the financial assets and the financial liabilities are respectively listed in the balance sheet without offset.

5.9.8 Equity instruments

The equity instruments mean the contracts by which to hold the residual equity in the assets of the Group after deducting all the liabilities. The issuing (including refinancing), counter purchase, sale or cancellation of the equity instruments by the Group shall be handled as changes of the equity.

The Group doesn't recognize any change to the fair value of the equity instruments. The transaction expenses related to the equity transaction shall be deducted from the equity.

The distribution related to the equity instrument holder by the Group shall be considered as profit distribution, and the issued share dividends don't affect the total amount of the shareholders' equity.

5.10 Accounts receivable

5.10.1 Bad account provision of individually significant accounts receivable

Judgment reference or amount standard for individually significant accounts	The accounts receivable with the amount above RMB 3,000,000 Yuan shall be recognized by the Group as the individually significant accounts receivable.
Accruing method for individually significant accounts accrued for bad account provision individually	An impairment test shall be made independently by the Group on the individually significant financial assets. Where, upon independent test, the financial asset has not been impaired, it shall be included in a combination of financial assets with similar risk characteristics so as to conduct another impairment test. The accounts receivable that are independently assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of accounts receivable with similar credit risk characteristics for impairment test.

5.10.2 Individually insignificant accounts receivable accrued for bad account provision individually

Reasons for accruing for bad account provision individually	If there is objective evidence that the Group can't call back the accounts according to original articles, the individually insignificant accounts receivable can be accrued for bad account provision individually.
Methods for accruing bad account provision	The impairment losses are recognized according to the difference between the present value of future cash flow and the book value, and impairment provision is accrued.

5.11 Inventories

5.11.1 Classification of inventories

Inventories of the Group comprise raw materials, goods in process and commodity stocks. The inventories are initially measured by cost. The inventory cost consists of purchase cost, processing cost and other expenditures to make inventories reach the current site and state.

5.11.2 Pricing methods for sending out inventories

Weighted average method is used to determine the actual cost for sending out inventories when sending them out.

The agricultural products after the harvest are handled in accordance with the *ASBE 1- Inventories.*

5.11.3 Recognition reference of the net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value on the balance sheet date. If the net realizable value is lower than the cost of inventories, the provision for the loss on decline in value of inventories are made. The net realizable value refers to the amount: the estimated sale price of inventories deducting the estimated cost to happen till completion, the estimated selling expense and relevant taxes, in daily activities. Based on the acquired concrete evidence, the purpose for holding inventories and the impact of matters after balance sheet date shall be also considered during recognition of the net realizable value of inventories.

The inventories are accrued inventory depreciation provision according to the difference of single inventory item and its net realizable value.

After accruing inventory depreciation provision, if the previous influence factors writing down inventories value disappear resulting in the net realizable value of the inventories being higher than their book value, it shall be reversed from the originally accrued inventory depreciation provision amount and the reversed amount shall be included in the current profit and loss.

5.11.4 Inventory system for the inventories

Inventory system: Perpetual inventory system

5.11.5 Amortization method of low-priced and easily-worn articles and packages

Amortization method of packages and low-priced and easily-worn articles: One-off amortization method

5.12 Long-term equity investments

5.12.1 Judgment standard of control, common control and significant impact

Control means that the investor holds the power in the investor, obtains variable returns by participating in relevant activities of the invested party and has the ability to affect the amount of the returns by using the power on the invested party. Common control means a joint control over a certain arrangement according to relevant agreements and relevant activities of this arrangement must be decided upon unanimous consent of the participants sharing the control power. Significant impact refers to the right to participate in decision-making of the investor's financial and operating policies but not controlling or commonly controlling the formulation of these policies with other parties. When determining whether to control or exert significant influence on the invested unit, the potential voting power factors such as the current convertible company bonds and the current executable equity warrants held by the investor and other parties in the invested unit have been considered.

5.12.2 Recognition of initial investment cost

For long-term equity investments acquired from business combination under non-common control, the combination cost is regarded as the initial investment cost of the long-term equity investments on the acquisition date.

The intermediary expenses such as audit, legal services and assessment consultation and other related management expenses paid by the acquirer for business combination are included in the current profit and loss when they occur..

For long-term equity investments other than those formed by business combination, initial measurement shall be carried out according to the cost.

5.12.3 Subsequent measurement and recognition of loss and profit

Long-term equity investments by cost method

Long-term equity investments in the subsidiary companies are measured on cost method basis in the corporate financial statement. Subsidiary companies refer to the invested entities by which the Group has control.

When cost method is adopted, the long-term equity investments are measured at the initial investment cost. In case of additional or recovered investment, the cost of the long-term equity investments shall be adjusted accordingly. The current investment income shall be recognized according to the cash dividends or profits declared to issue by the invested unit.

5.12.4 Disposal of long-term equity investments

When the long-term equity investments are disposed, the difference between the book value and the actually acquired price is included in the current profit and loss.

5.13 Fixed assets

5.13.1 Recognition conditions

Fixed assets refer to the tangible assets held for producing goods, rendering services, leasing or operation management, with service life exceeding one accounting year. Fixed assets can only be confirmed that the economic benefits related to the fixed assets are likely to flow into the Group, and the cost of the fixed assets can be measured reliably. Initial measurement for fixed assets shall be carried out according to the cost. For the subsequent expenses related to the fixed asset, if the economic benefits related to the fixed asset are likely to flow into the Group and the cost thereby can be reliably measured, the subsequent expenses are included in fixed asset cost and the book value of the substituted part shall be terminated. Other subsequent expenses shall be included in the current profit and loss.

5.13.2 Depreciation methods

Depreciation is calculated by the straight-line depreciation within the service life from the month following having been put into operation. The estimated service life, residual value and annual depreciation rate are as follows:

Classification	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	20-40 years	0-5%	2.4%-5.0%
Machinery equipment	Straight-line depreciation	5-20 years	0-5%	4.8%-20.0%
Transportation tools	Straight-line depreciation	4-12 years	0-5%	7.9%-25.0%

The estimated residual value refers to the amount that the Group obtains from disposal of the assets at present after deducting the predicted disposition expenses at an estimated state on the assumption that the predicted service life of the fixed assets has expired.

5.13.3 Other

When the fixed assets are under disposal state or cannot generate any economic benefits through use or disposal as expected, the fixed assets shall be derecognized. The selling, transfer, scrapping or damage disposal income shall be included in the current profit and loss after deducting the book value and relevant taxes.

The Group reviews the service life, expected net residual value, and the depreciation method of the fixed assets at least at the end of each year, and in case of any change, the change will be disposed as accounting estimate change.

5.14 Construction in progress

Construction in progress is measured by actual costs, and the actual costs include all costs of the engineering during the period of construction, capitalized borrowing costs before the engineering reaches the planned serviceable condition and other related costs. The construction in progress is not depreciated. The construction in progress is transferred to fixed assets after reaching the planned serviceable condition.

5.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized after expenditure to acquire happens, borrowing costs happen, acquisition, construction or production essential for making the assets ready for their intended use or sales. Capitalization of borrowing costs shall cease when all the activities necessary to prepare the qualifying asset for its intended use of sale are substantially complete. If the acquisition, construction or production of a qualifying asset is abnormally interrupted, and the interruption period exceeds three months, the capitalization of borrowing costs shall be temporarily ceased, until the construction or production resumes. Other borrowing costs are recognized as expenses when occur.

5.16 Biological assets

The biological assets of the Group are productive biological assets.

Productive biological assets refer to the biological assets held for the purposes of producing agricultural products, rendering services or leasing, etc. The productive biological assets of the Group are vines that produce grapes. Initial measurement for the productive biological assets is carried out according to the cost. For the occurred cost of the self-breeding productive biological asset before achieving the intended production and operation purposes can be directly attributable to the necessary expenses of the asset, including the borrowing cost conforming to capitalization.

The productive biological assets are not accrued depreciation until reaching the intended production and operation purposes. After reaching the intended production and operation purposes, the productive biological assets are accrued depreciation within the service life straight-line depreciation. The service life, estimated net residual value rate and annual depreciation rate of different productive biological assets are as follows:

Category of assets	Service life	Estimated residual value rate (%)	Annual depreciation rate
Vines	20 years	_	5%

The service life of the productive biological assets of the Group and the estimated residual value are confirmed by the normal service life cycle of the biological assets.

The Group reviews the service life, expected net residual value, and the depreciation method of the productive biological assets at least at the end of each year. In case of any change, the change will be disposed as accounting estimate change.

At the time of sale, loss, death, damage or destroy of a productive biological asset, the difference after deducting the book value and relevant taxes from the disposal income are included in the current profit and loss.

5.17 Intangible assets

5.17.1 Pricing method, service life and impairment test

Intangible assets include land use right and software, etc.

Initial measurement for intangible assets is carried out according to the cost. For the intangible assets with finite lives, since they are available, the amount after the original value deducts expected net residual value and the accrued accumulative amount of provision for impairment is amortized evenly based on straight line method. The intangible assets with indefinite service life are not amortized. The amortization method, service life and estimated residual value of all kinds of intangible assets are shown as follows:

Category of assets	Service life	Estimated net residual value rate	Annual amortization rate
Land use right	40-50 years	-	2-2.5%
Software	5-10 years	-	10-20%
Trademark	10 years	-	10%

At the end of the period, the service life and amortization method of the intangible assets with finite service life shall be reviewed and adjusted if necessary.

5.18 Impairment of long-term assets

On each balance sheet date, the Group and the Company check the long-term equity investments, fixed assets, construction in progress, productive biological assets and intangible assets with finite service life to determine whether there is a sign indicating any impairment. If there is such a sign, the recoverable amount shall be estimated. For intangible assets with indefinite service life and those not reaching the serviceable conditions, impairment test should be taken every year no matter there is a sign of depreciation or not.

The estimated recoverable amount of the asset is based on the single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount is determined based on the asset group which the asset is in. The recoverable amount is the higher one between the net amount after the disposition expenses are deducted from the fair value of the asset or the asset group and the current value of the estimated future cash flow.

If the recoverable amount of the asset is lower than its book value, the impairment provision of the asset is accrued based on the difference and included in the current profit and loss.

Impairment test is carried out for goodwill at least at the end of each year. The impairment test of goodwill be carried out in combination with the related asset group or asset combination. That is to say, the book value of the goodwill is amortized to the asset group or asset combination benefiting from the synergistic effect of the business combination according to the reasonable methods from the acquisition date. If the recoverable amount of the asset group or asset combination which includes the amortized goodwill is lower than the book value, the corresponding impairment loss is recognized. The amount of impairment loss shall firstly offset the book value of the goodwill amortized to the asset group or asset combination and then offset the book value of other assets in proportion according to the proportion in the book value of other assets in the asset group or asset combination except for the goodwill.

After the impairment loss of assets has been recognized, it is not be reversed in the future accounting periods.

5.19 Long-term unamortized expenses

Long-term unamortized expenses refer to prepaid expenses occurred that should be borne by current and subsequent periods and should be amortized over more than one year. Long-term unamortized expenses are amortized evenly over the expected beneficial periods.

Amortization period of different long-term unamortized expenses of the Group are as follows:

	Amortization period
Land requisition fee	50 years
Land leasing fee	50 years
Afforestation fee	5 years
Decoration fee	3-5 years
Other	3 years

5.20 Employee remuneration

5.20.1 Accounting treatment method of short-term remuneration

During the accounting period that the employees provide services for the Group, the actual short-term remuneration is recognized as liabilities and included in the current profit and loss or relevant asset costs. The welfare expenses of the employees in the Group are included in the current profit and loss or relevant asset costs when occur based on the actual amount. The non-monetary welfare expenses of the employees are measured by the fair value.

During the accounting period that the employees provide services for the Group, the corresponding employee remunerations and the corresponding liabilities are recognized and included in the current profit and loss or relevant asset costs after the social insurance premiums including medical insurance premium, industrial injury insurance premium and birth insurance premium as well as housing provident funds are paid by the Group for the employees, and labor union dues and employee education funds are withdrawn by the Group according to the regulated withdrawing base and proportion.

5.20.2 Accounting treatment method of welfare after resignation

The Group makes the contribution plan for the welfare after resignation.

During the accounting period that the employees provide services for the Group, the amount to be deposited which is calculated in accordance with the contribution plan is recognized as liabilities and included in the current profit and loss or relevant asset costs.

5.20.3 Accounting treatment method of welfare after dismission

If the Group provides dismission welfare to the employees, the employee remuneration liabilities caused by the dismission welfare shall be recognized and included in the current profit and loss on the following date which is earlier: The Group can't unilaterally withdraw the dismission welfare due to termination of labor relation plan or redundancy suggestion; or the Group confirms the costs or expenses related to the reorganization involving the payment of the dismission welfare.

5.21 Revenue

5.21.1 Revenues from sale of goods

When the significant risks and rewards of ownership of goods have been transferred to the buyer, provided that the Group maintains neither continuous management right involvement to the degree usually associated with ownership, nor effective control over the goods sold, and cost of sales can be measured reliably. When the relevant economic benefits are likely to flow into the enterprise and the relevant incurred cost or cost to be incurred can be measured reliably, the realization of the revenue from sale of goods can be recognized.

5.21.2 Rendering of services

When income amount of rendering of services can be measured reliably, the relevant economic benefits are likely to flow into the Group, the stage of completion of the transaction can be measured reliably, and the incurred cost or cost to be incurred in the transaction can be measured reliably, then the income realization of rendering of services can be recognized. The Group confirmed the income of the rendered services according to percentage-of-completion method on the balance sheet date. The percentage-of-completion of the service transaction is determined according to the proportion of the rendered service accounting for the total services that shall be rendered.

If the outcome of rendering of service transaction cannot be reliably estimated, the income of the rendered services are determined according to the render cost amount that is incurred and is expected to be compensated, and the incurred service cost shall be the period charge. If the incurred service cost is expected to be unable to be compensated, the income will not be determined.

5.22 Government allowances

5.22.1 Judgment standard and accounting treatment method of government allowances related to assets

Government allowances refer to monetary or non-monetary assets received by the Group from the government. According to the nature of the granted object clearly stipulated in relevant government documents, government allowances include those related to assets and those related to income.

Government allowances are recognized where there is a reasonable assurance that the allowances will be received and all attaching conditions will be complied with. Monetary allowances are measured on the basis of the amount received or the amount receivable.

Government allowances related to assets are recognized as deferred income and are distributed equally in the current profit and loss within the useful lives of the relevant assets.

5.22.2 Judgment standard and accounting treatment method of government allowances related to revenues

The government allowances related to revenues to be used as compensation for future expenses or losses are recognized as deferred income and are included in the profit and loss statement for the period where the relevant expenses are recognized; or those to be used as compensation for relevant expenses or losses already occurred are recorded directly in the current profit and loss.

5.23 Deferred income tax assets/deferred income tax liabilities

The income tax expenses include the current income tax and deferred income tax.

5.23.1 Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and the prior periods are measured according to the predicted payable (refundable) income tax amount as stipulated by tax law.

5.23.2 Deferred income tax assets and deferred income tax liabilities

The balance sheet liability method is used for recognizing deferred income tax assets and deferred income tax liabilities for the difference between certain assets, book value of liability items and their tax base, and the temporary differences arising from the book value of items (that are not recognized as assets and liabilities but can be recognized the tax bases as stipulated by tax law) and tax bases.

Normally all temporary differences are recognized the relevant deferred income taxes. However, for the deductible temporary differences, the Group recognized the relevant deferred income tax assets taking the taxable income that is likely to be obtained for deducting deductible temporary differences as the limit. In addition, the temporary differences relevant to initial recognition of goodwill and relevant to the initial recognition of assets or liabilities arising from transaction not of business combination, and not influencing accounting profit and taxable income (or deductible loss) are not recognized for the relevant deferred income tax assets or liabilities.

For the deductible losses and tax credits that can be transferred during subsequent years, the corresponding deferred income tax assets shall be recognized by taking the future taxable income that is likely to be used to deduct deductible losses and tax credits as the limit.

The Group recognized the deferred income tax liabilities arising from the taxable temporary differences relevant to the subsidiary companies, except for that the Group can control the time of the reverse of the temporary differences which are unlikely to be reversed in the foreseeable future. For the deductible temporary differences relevant to the subsidiary companies, the Group will recognize the deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and the taxable income for deducting deductible temporary differences is likely to be achieved in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate during the period of expecting to repossess the relevant assets or pay off relevant liabilities as stipulated by tax law.

Except for the current income taxes and deferred income taxes (relevant to transaction and matter that are directly included in other comprehensive income or stockholder's equity) that are included in other comprehensive income or stockholder's equity and the deferred income taxes arising from business combination that adjusts the book value of the goodwill, the expenses or revenues of other current income taxes and deferred income taxes are included in the current profit and loss.

On the balance sheet date, the Group shall review the book value of deferred income tax assets and shall write down the book value of deferred income tax assets if sufficient taxable income is unlikely to be obtained in the future to deduct the benefits of deferred income tax assets. The amount written down shall be reversed when it is likely to obtain sufficient taxable income.

5.23.3 Offset of income tax

When there is the legal right of netting or intention of netting or carrying out obtaining assets and paying off liabilities at the same time, the current income tax asset and current income tax liability of the Group are reported according to the net amount after offset.

When there is the legal right of netting the current income tax asset and current income tax liability and the deferred income tax assets and deferred income tax liabilities are relevant to the income tax collected by same tax collection and management department on the same taxpayer or different taxpayers, however, the involved tax payers intend to net the current income tax assets and liabilities or obtain assets and pay off liabilities at the same time during every period of reverse of each significant deferred income tax assets and liabilities in the future, deferred income tax assets and deferred income tax liabilities of the Group are reported according to the net amount after offset.

5.24 Lease

5.24.1 Accounting treatment method of operating lease

The Group records the operating lease business as a lessee.

Rental expenses under the operating lease are credited to related costs of the assets or the current profit and loss on the straight line basis over the lease terms. The initial direct costs are credited to the current profit and loss. Contingent rentals are included in the current profit and loss upon actual accrual.

5.25 Changes in main accounting policies and accounting estimates

5.25.1 Changes in main accounting policies

Nil

5.25.2 Changes in main accounting estimates

Nil

5.26 Other

Critical assumptions and uncertain factors adopted for important judgements and accounting estimates during the application of the accounting policies

During the application of the accounting policies of this Financial Report IV, the Group needs to judge, estimate and assume the book value of the report items that are unable to be accurately measured due to the inherent uncertainties of business activities, in which the judgment, estimation and assumption are made based on the previous historical experience of the management level of the Group and considering other relevant factors. The actual results may have differences from the estimation of the Group.

The Group regularly reviews the above-mentioned judgment, estimation and assumption based on the continuous operation, and the change of accounting estimate only affects the current period of change, of which the influence number will be recognized at the current period of change; in case of influencing both current period and future period of change, the influence number will be recognized at the current period and future period of change.

Critical assumptions and uncertain factors adopted for accounting estimates

On the balance sheet date, the main critical assumptions and uncertainties in accounting estimates that are likely to result in significant adjustments in assets and book value of liabilities in the future period include:

Deferred income tax assets

Within the limit of the likeliness that there is sufficient taxable income to deduct deductible losses, the deferred income tax assets shall be recognized according to all deductible losses that have not been utilized, which requires the management level to use a lot of judgments to estimate the occurred time and amount of taxable income to be obtained in the future, and combine with tax planning strategy to decide the amount of deferred income tax assets that shall be recognized.

Depreciation

The Group uses straight line method for provision for depreciation within the expected service life after considering the residual value of the fixed assets. The Group regularly reviewed the expected service life to decide the amount of depreciation expense that will be included in every report period. The expected service life is recognized by the Group according to the previous experience on similar assets and in combination with the expected technical changes. The depreciation expense shall be adjusted if there are significant changes in the previous estimate.

Service life of intangible assets

The expected service life of intangible assets are estimated based on actual service life of the previous intangible assets of similar natures and functions and according to historical experience and in consideration of the duration of the contractual rights or other legal rights applicable to the intangible assets.

In case that the service life of the intangible assets shortens or extends, the amortization period will be adjusted in the future period for intangible assets with finite life; for intangible assets with indefinite life, if there is evidence showing that their service life is finite, their service life will be estimated in the future period and they will be disposed according to the disposal principles of intangible assets with finite life.

Impairment of long-term assets

The Group carries out impairment assessment on long-term assets to determine if the recoverable amount of assets drops to the amount lower than their book value. If the situation shows that the book value of the long-term assets may not be fully recovered, the relevant assets will be deemed as having been impaired and the impairment loss shall be correspondingly recognized.

The recoverable amount is the higher in: the net amount of fair value of an asset (or asset group) minus disposal expense, and the present value of the estimated future cash flow of the asset (or asset group). It is difficult for the Group to accurately estimate the fair value of an asset because of difficulty in obtaining the open market price of the asset (or asset group). It needs to make significant judgments on the output, selling price, relevant operating cost of the asset (or asset group) and the discount rate used for calculating present value when estimating the present value of future cash flow. The Group will use all easily available materials in estimating the recoverable amount, including the forecast relevant to output, selling price and relevant operating cost according to the reasonable and supportable assumption.

Bad account provision of accounts receivable

Bad account provision of accounts receivable shall be recognized by the management level according to the objective evidences (e.g. the possibility of bankruptcy or severe financial difficulty of the debtor) that can affect the recovery of the accounts receivable. The management level will reevaluate bad account provision in the end of every year.

Inventory depreciation provision accrued based on net realizable value

According to the inventory accounting policy, the Group carries out price decrease provision for obsolete and unsalable inventories with higher cost than the net realizable value measurement according to the lower of the cost and net realizable value. The Group will reevaluate if the inventories are obsolete and unsalable, and if the net realizable value is lower than inventory cost in the end of every year.

6. Taxes

6.1 Main taxes and tax rate

Taxes	Tax basis	Tax rate
Value added tax	VAT is levied by the output tax calculated by the taxable revenue as the tax base after deduction of eligible input VAT in this period.	17% (China), 19.6% (France) and 21% (Spain)
Consumption tax	The consumption tax is levied by the taxable revenue	10%-20% (China)

	as the tax base.	
Business tax	The business tax is levied by the taxable revenue as the tax base.	5% (China)
Urban maintenance and construction tax	The urban maintenance and construction tax is levied by the actually paid turnover tax as the tax base.	7% (China)
Corporate income tax	The corporate income tax is levied by the taxable income as the tax base.	25% (China), 33% (France) and 30% (Spain)

6.2 Tax incentives

Ningxia Changyu Grape Growing Co., Ltd. (“Ningxia Growing”), a subsidiary of the Company, whose principal activity is grape growing, is incorporated in Yongning County, Ningxia Hui Autonomous Region. According to Article 27 of *PRC Corporate Income Tax* and Article 86 of *PRC Corporate Income Tax Measures for Implementation*, it enjoys an exemption of corporate income tax related to grape growing.

Xinjiang Tianzhu Wine Co., Ltd. (“Xinjiang Tianzhu”) and Xinjiang Chateau Changyu Baron Balboa Co., Ltd. (“Shihezi Chateau”), the subsidiaries of the Company, are enterprises engaged in the production and sales of bulk wine incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant regulations of the *Notice on Relevant Issues of Taxes Policies for Deeply Implementing the Western Development Strategy* (Cai Shui [2011] No. 58), the corporate income tax of the encouraged enterprises established in the western regions are levied at the tax rate of 15% from January 1, 2011 to December 31, 2020.

7. Notes to consolidated financial statement

7.1 Monetary capital

Unit: Yuan

Item	Ending balance	Beginning balance
Cash on hand	189,184	179,488
Bank deposit	1,654,464,797	1,103,705,354
Other monetary capitals	179,357,472	181,477,572
Total	1,834,011,453	1,285,362,414
Including: Total amount of funds deposited abroad	7,482,748	6,019,640

As at June 30, 2016, the bank deposit with ownership restrictions of the Group was RMB 2,711,926 Yuan (December 31, 2015: RMB 2,643,181 Yuan), which was the housing fund in the Group.

As at June 30, 2016, other monetary capital of the Group included the pledge deposit of RMB 125,000,000 Yuan for loans from HSBC of HKD 152,000,000 (equivalent to RMB 129,914,400 Yuan), fixed-term deposit of RMB 46,100,000 Yuan pledged by Yantai Changyu Wine Research, Development & Manufacture Co., Ltd. (“R&D Company”), refundable deposits for bills payable of

Xinjiang Changyu Wine Sales Co., Ltd. (“Xinjiang Sales”) of RMB 8,130,000 Yuan and guaranty money for deposits in the public card of RMB 127,472 Yuan.

As at June 30, 2016, the Group had monetary capital of RMB 7,482,748 Yuan that was deposited abroad (December 31, 2015: RMB 6,019,640 Yuan).

As at June 30, 2016The bank deposits of the Group including time deposits ranging from 3 months to 6 months amounted to RMB 8,007,000 Yuan (December 31, 2015: RMB 9,000,000 Yuan), with the interest rates ranging from 1.40%-1.69%.

7.2 Bills receivable

7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending balance	Beginning balance
Bank acceptance	216,068,017	113,988,122
Trade acceptance		
Total	216,068,017	113,988,122

7.2.2 Bills receivable pledged by the Company at the end of period

Nil

7.2.3 Bills receivable endorsed or discounted by the Company at the end of period but not yet matured as of the balance sheet date

Unit: Yuan

Item	Amount terminating recognition at the end of period	Amount not terminating recognition at the end of period
Bank acceptance	331,544,213	
Trade acceptance		
Total	331,544,213	

7.2.4 Bills receivable reclassified as accounts receivable by the Company due to the default of drawer at the end of period

Nil

7.3 Accounts receivable

7.3.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision	82,211,281	43.1%			82,211,281	74,538,738	37.7%			74,538,738
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision	108,408,065	56.9%			108,408,065	123,256,353	62.3%			123,256,353
Total	190,619,346	100 %			190,619,346	197,795,091	100 %			197,795,091

The credit term of accounts receivable is normally one month. Major customers can be granted a credit term up to three months. The accounts receivable are free from interest.

As at June 30, 2016, the accounts receivable with ownership restrictions was RMB 26,671,881 Yuan (December 31, 2015: RMB 23,880,775 Yuan). Please refer to Note 7.18 for the details.

7.3.2 Bad debt provision accrued, transferred back or received in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that transferred back or received in this period was RMB 0 Yuan.

7.3.3 Accounts receivable actually cancelled after verification in this period

Nil

7.3.4 Accounts receivable collected by the borrowers of top 5 units ranked by the ending balance

Unit	Relationship with the Company	Amount	Period	Percentage in total accounts receivable
Nonggongshang Supermarket (Group) Co., Ltd.	Third party	17,337,863	Within 1 year	9.1%
Wal-mart (China) Investment Co., Ltd.	Third party	13,970,035	Within 1 year	7.3%
DIA Market	Third party	8,189,069	Within 1 year	4.3%
Lianhua Supermarket Holdings Co., Ltd.	Third party	7,829,852	Within 1 year	4.1%
Suguo Supermarket Co., Ltd.	Third party	7,678,879	Within 1 year	4.0%
Total	--	55,005,698	--	28.8%

7.3.5 Accounts receivable terminating recognition due to transfer of financial assets

Nil

7.3.6 Accounts receivable transferred and included in assets and liabilities

Nil

7.4 Advance payment

7.4.1 Advance payment listed by age

Unit: Yuan

Age	Ending balance		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	1,701,337	90.4%	3,096,223	86.2%
1-2 years	130,869	7.0 %	494,875	13.8%
2-3 years	50,651	2.6%		
More than 3 years				
Total	1,882,857	--	3,591,098	--

7.4.2 Advance payment collected by the prepaid parties of top 5 units ranked by the ending balance

Unit	Relationship with the Group	Amount	Age	Reason for unsettlement	Percentage in the total advance

					payment%
Shandong Electric Power Group Company Yantai Power Supply Company	Third party	542,206	Within 1 year	Prepaid electricity purchasing fund	28.8%
Ningxia Shuying Guangtong Industry and Trade Co., Ltd.	Third party	140,200	Within 1 year	Failure to receive the goods	7.4%
Chongqing Hoson Glass Co., Ltd.	Third party	110,220	Within 1 year	Failure to receive the goods	5.9%
PetroChina Co., Ltd. Ningxia Yinchuan Sales Branch	Third party	30,000	Within 1 year	Failure to receive the goods	1.6%
Sinopec Sales Co., Ltd. Hebei Langfang Petroleum Branch	Third party	27,000	Within 1 year	Failure to receive the goods	1.4%
Total	--	849,626	--	--	45.1%

7.5 Interest receivable

7.5.1 Interest receivable

Unit: Yuan

Item	Ending balance	Beginning balance
Time deposit	10,597,464	8,019,338
Entrusted loan		
Bond investment		
Total	10,597,464	8,019,338

7.6 Other accounts receivable

7.6.1 Other accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	31,800,691	53.7%	7,199,521	22.6%	24,601,170	32,390,931	60.7%	7,199,521	22.2%	25,191,410
Other accounts										

receivable accrued bad debt provision by credit risk features										
Other accounts receivable of insignificant single amount and single accrued bad debt provision	27,419,192	46.3%			27,419,192	20,955,077	39.3%			20,955,077
Total	59,219,883	100 %	7,199,521	12.2%	52,020,362	53,346,008	100 %	7,199,521	14 .0%	46,146,487

Other accounts receivable of significant single amount and single accrued bad debt provision at the end of period:

Unit: Yuan

Other accounts receivable (by unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Accrued proportion	Reason for accrual
Tiantong Securities Co., Ltd.	7,199,521	7,199,521	100%	This company is in bankruptcy liquidation.
Total	7,199,521	7,199,521	--	--

7.6.2 Bad debt provision accrued, transferred back or received in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that transferred back or received in this period was RMB 0 Yuan.

7.6.3 Other accounts receivable actually cancelled after verification in this period

Nil

7.6.4 Other accounts listed by nature

Unit: Yuan

Nature	Ending book balance	Beginning book balance
Deposit and guaranty money receivable	27,131,541	27,424,926
Investment receivable	7,199,521	7,199,521
Fund of disbursement receivable	7,022,385	6,679,122
Consumption tax and house duty reimbursement	1,218,388	635,482
Other	16,648,048	11,406,957
Total	59,219,883	53,346,008

7.6.5 Other accounts receivable collected by the borrowers of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Nature	Ending balance	Age	Percentage in total ending balance of other accounts receivable	Ending balance of bad debt provision
YEDA Construction Enterprise Old-age Security Pension Management Office	Construction guarantee	12,325,300	1-2 years	20.8%	
YEDA Finance Bureau	Construction guarantee	7,275,870	1-2 years	12.3%	
Tiantong Securities Co., Ltd.	Investment	7,199,521	Over 3 years	12.2%	7,199,521
YEDA Construction Industry Association	Construction guarantee	5,000,000	Over 3 years	8.4%	
Canada Oros Icewine Co., Ltd.	Foreign investment receivable	2,050,000	Within 1year	3.5%	
Total	--	33,850,691	--	57.2%	7,199,521

7.6.6 Other accounts receivable terminating recognition due to transfer of financial assets

Nil

7.6.7 Other accounts receivable transferred and included in assets and liabilities

Nil

7.7 Inventories

7.7.1 Inventory classification

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	58,624,919		58,624,919	89,256,433		89,256,433
Goods in process	1,053,697,549		1,053,697,549	1,247,023,301		1,247,023,301
Commodity stocks	752,798,168	18,147,490	734,650,678	942,720,720	18,147,490	924,573,230
Total	1,865,120,636	18,147,490	1,846,973,146	2,279,000,454	18,147,490	2,260,852,964

7.7.2 Inventory depreciation provision

Unit: Yuan

Item	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Accrual	Other	Transfer back or write-off	Other	
Raw materials						
Goods in process						
Commodity stocks	18,147,490					18,147,490
Total	18,147,490					18,147,490

7.8 Other current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Prepaid taxes	58,958,560	31,782,345
Advance rental payment	13,355,634	16,667,206
Total	72,314,194	48,449,551

7.9 Available-for-sale financial assets

7.9.1 Available-for-sale financial assets

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale financial instruments:						
Available-for-sale equity instruments:	10,345,365	10,000,000	345,365	10,402,814	10,000,000	402,814
Fair value measurement						
Cost measurement	10,345,365	10,000,000	345,365	10,402,814	10,000,000	402,814
Total	10,345,365	10,000,000	345,365	10,402,814	10,000,000	402,814

7.9.2 Available-for-sale financial assets by cost measurement at the end of period

Unit: Yuan

Invested unit	Book balance				Impairment provision				Shareholding ratio in the invested unit	Cash dividend in this period
	Beginning	Increase in this period	Decrease in this period	Ending	Beginning	Increase in this period	Decrease in this period	Ending		
Yantai Dingtao Construction and Development Co., Ltd.	10,000,000			10,000,000	10,000,000			10,000,000	18 %	
Other	402,814		57,449	345,365					Less than 1%	
Total	10,402,814		57,449	10,345,365	10,000,000			10,000,000	--	

7.9.3 Changes of impairment of available-for-sale financial assets in the report period

Unit: Yuan

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Accrued impairment balance at the beginning of period	10,000,000		10,000,000
Accrued amount of this period			
Including: Transferred in from other comprehensive income			
Decrease in this period			
Including: Fair value recovered and transferred back after date			
Accrued impairment balance at the end of period	10,000,000		10,000,000

7.10 Fixed assets

7.10.1 Particulars of fixed assets

Unit: Yuan

Item	Buildings	Machineries and equipment	Transportation tools	Total
Ⅰ Original book value:				
1. Beginning balance	2,647,418,685	1,498,619,150	28,457,393	4,174,495,228
2. Increase	50,494,747	22,918,394	176,391	73,589,532
2.1 Acquisition	4,261,878	20,707,188	175,045	25,144,111
2.2 Transfer in from construction in progress	26,572,431	85,937		26,658,368
2.3 Business merger increase	19,660,438	2,125,269	1,346	21,787,053
2.4 Other				
3. Decrease	36,640	359,337	4,092,432	4,488,409
3.1 Disposal or retirement	36,640	359,337	4,092,432	4,488,409
3.2 Other				
4. Ending balance	2,697,876,792	1,521,178,207	24,541,352	4,243,596,351
Ⅱ Accumulated depreciation				
1. Beginning balance	336,439,433	725,768,456	23,042,154	1,085,250,043
2. Increase	49,218,774	51,339,001	1,101,937	101,659,712
2.1 Accrual	37,225,905	49,883,106	1,100,591	88,209,602
2.2 Business merger increase	11,992,869	1,455,895	1,346	13,450,110
2.3 Other				
3. Decrease	18,383	286,929	3,887,811	4,193,123
3.1 Disposal or retirement	18,383	286,929	3,887,811	4,193,123
3.2 Other				
4. Ending balance	385,639,824	776,820,528	20,256,280	1,182,716,632
Ⅲ Impairment provision				

Item	Buildings	Machineries and equipment	Transportation tools	Total
1. Beginning balance				
2. Increase				
2.1 Accrual				
2.2 Other				
3. Decrease				
3.1 Disposal or retirement				
3.2 Other				
4. Ending balance				
Ⅳ Book value				
1. Ending book value	2,312,236,968	744,357,679	4,285,072	3,060,879,719
2. Beginning book value	2,310,979,252	772,850,694	5,415,239	3,089,245,185

As at June 30, 2016, the net value of the fixed assets with ownership restrictions was RMB 28,564,102 Yuan (December 31, 2015: RMB 18,405,000 Yuan). Please refer to Note 7.28 for the details.

7.10.2 Temporarily idle fixed assets

Nil

7.10.3 Fixed assets under finance leases

Nil

7.10.4 Fixed assets under operating lease

Nil

7.10.5 Fixed assets without property certificates

Unit: Yuan

Item	Book value	Reason for not receiving the property certificate
Workshop and Plant of Xinjiang Shihezi Chateau	257,613,251	Under transaction
European Town, Main Building and Service Building of Beijing Chateau	223,713,088	Under transaction
Dormitory Building, Main Building and Reception Building of Chang’an Chateau	151,765,586	Under transaction
Main Building, Labelling Workshop and Tasting Center of Ningxia Chateau	148,045,312	Under transaction
Main Building of Yantai Changyu Tinlot Chateau	92,379,345	Under transaction
Provincial Office of Sales Company	43,164,308	Under transaction
Fermentation Workshop and Storage Workshop of Xinjiang Tianzhu	19,432,497	Under transaction
Office Building and Packaging Workshop of Icewine Chateau	9,967,911	Under transaction

Office Building, Laboratory Building and Workshop of Fermentation Center	6,106,452	Under transaction
Wine-making Workshop of Changyu (Jingyang)	4,534,109	Under transaction
Finished Goods Warehouse and Workshop of Kylin Packaging	2,623,545	Under transaction

7.11 Construction in progress

7.11.1 Construction in progress

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction Project of Research, Development & Manufacture Center (the present “Changyu Wine City Complex”)	2,368,117,940		2,368,117,940	1,799,097,086		1,799,097,086
Construction Project of Xianyang Chateau	183,451,421		183,451,421	61,308,522		61,308,522
Construction Project of Sales Company	60,811,797		60,811,797	55,645,386		55,645,386
Plant Construction Project of Huanren Winery	32,441,417		32,441,417	29,502,825		29,502,825
Construction Project of Shihezi Chateau	39,215,755		39,215,755	28,105,618		28,105,618
Construction Project of Ningxia Chateau	40,907,546		40,907,546	13,709,767		13,709,767
Construction Project of Tinlot Chateau	4,930,221		4,930,221	5,000,221		5,000,221
Construction and Reconstruction Project of Joint-stock Company	7,183,477		7,183,477	7,990,777		7,990,777
Tourism Square Reconstruction Project of AFIP	4,349,945		4,349,945	3,659,245		3,659,245
Construction Projects of Other Companies	5,262,411		5,262,411	1,970,861		1,970,861
Total	2,746,671,930		2,746,671,930	2,005,990,308		2,005,990,308

7.11.2 Changes of major construction in progress in this period

Unit: Yuan

Item	Budget	Beginning balance	Increase	Transferred to fixed assets	Other decrease	Ending balance	Proportion of accumulative project input in budget	Construction progress	Accumulative capitalization amount of interest	Including: capitalization amount of interest in this period	Capitalization ratio of interest in this period	Capital source
Construction Project of Research, Development & Manufacture Center (the present "Changyu Wine City Complex")	3,505,780,000	1,799,097,086	569,020,854			2,368,117,940	67.5%					Other
Construction Project of Xianyang Chateau	620,740,000	61,308,522	143,139,645	20,996,746		183,451,421	122.6%					Other
Construction Project of Sales Company	161,350,000	55,645,386	5,166,411			60,811,797	102.3%					Other
Plant Construction Project of Huanren Winery	31,000,000	29,502,825	2,938,592			32,441,417	104.7%					Other
Construction Project of Shihezi Chateau	780,000,000	28,105,618	11,110,137			39,215,755	87.5%					Other
Construction Project of Ningxia Chateau	414,150,000	13,709,767	27,197,779			40,907,546	104.5%					Other
Construction Project of Tinlot Chateau	192,400,000	5,000,221	4,527,102	4,597,102		4,930,221	95.7%					Other
Total	5,705,420,000	1,992,369,425	763,100,520	25,593,848		2,729,876,097	--	--				--Other

As at June 30, 2016, there was no indication for impairment in construction in process of the Group, so no provision was made.

7.12 Productive biological assets

7.12.1 Productive biological assets adopting cost measurement mode

Unit: Yuan

Item	Plantation	Animal Husbandry	Forestry	Aquaculture	Total
Ⅰ Original book value					
1. Beginning balance	203,567,857				203,567,857
2. Increase	26,116,499				26,116,499
2.1 Outsourcing					
2.2 Self cultivation	22,052,554				22,052,554
2.3 Business merger increase	4,063,945				4,063,945
3. Decrease					
3.1 Disposal					
3.2 Other					
4. Ending balance	229,684,356				229,684,356
Ⅱ Accumulated depreciation					
1. Beginning balance	11,369,574				11,369,574
2. Increase	5,248,490				5,248,490
2.1 Accrual	3,017,544				3,017,544
2.2 Business merger increase	2,230,946				2,230,946
3. Decrease					
3.1 Disposal					
3.2 Other					
4. Ending balance	16,618,064				16,618,064
Ⅲ Impairment provision					
1. Beginning balance					
2. Increase					
2.1 Accrual					
3. Decrease					
3.1 Disposal					
3.2 Other					
4. Ending balance					
Ⅳ Book value					
1. Ending book value	213,066,292				213,066,292

2. Beginning book value	192,198,283				192,198,283

As at June 30, 2016, no ownership of the biological assets was restricted.

As at June 30, 2016, the productive biological assets of the Group included mature productive biological assets of RMB 61,089,955 Yuan (December 31, 2015: RMB 59,391,773 Yuan) and immature productive biological assets of RMB 151,976,337 Yuan (December 31, 2015: RMB 132,806,510 Yuan).

As at June 30, 2016, there was no indication that biological assets may be impaired, so no provision was made.

7.13 Intangible assets

7.13.1 Particulars of intangible assets

Unit: Yuan

Item	Land use right	Patent right	Non-patented technology	Total
Ⅰ Original book value				
1. Beginning balance	467,605,436	37,653,788	15,237,653	520,496,877
2. Increase in this period	194,631	155,948	173,848	524,427
2.1 Acquisition	194,631	150,000	171,271	515,902
2.2 Internal R&D				-
2.3 Business merger increase		5,948	2,577	8,525
3. Decrease in this period			-	-
3.1 Disposal			-	
4. Ending balance	467,800,067	37,809,736	15,411,501	521,021,304
Ⅱ Accumulated amortization				-
1. Beginning balance	46,649,712	9,826,191	121,058	56,596,961
2. Increase in this period	4,789,651	1,202,724	953,427	6,945,802
2.1 Accrual	4,789,651	1,196,776	953,427	6,939,854
2.2 Business merger increase		5,948		5,948
3. Decrease in this period				-
3.1 Disposal			-	-
4. Ending balance	51,439,363	11,028,915	1,074,485	63,542,763
Ⅲ Impairment provision				-
1. Beginning balance				

2. Increase in this period				-
2.1 Accrual				-
3. Decrease in this period				-
3.1 Disposal				
4. Ending balance				-
Ⅳ Book value				-
3. Ending book value	416,360,704	26,780,821	14,337,016	457,478,541
4. Beginning book value	420,955,724	27,827,597	15,116,595	463,899,916

7.14 Goodwill

7.14.1 Original book value of goodwill

Unit: Yuan

Name of the invested unit or matter forming goodwill	Beginning balance	Increase in this period		Decrease in this period		Ending balance
		Formed from business merger	Other	Disposal	Other	
Etablissements Roullet Fransac	13,112,525					13,112,525
Dicot Partners, S.L	92,391,901					92,391,901
SOCIETE CIVILE AGRICOLE DU CHATEAU DE MIREFLEURS (“MIREFLEURS”)		13,982,153				13,982,153
Total	105,504,426	13,982,153				119,486,579

7.15 Long-term unamortized expenses

Unit: Yuan

Item	Beginning balance	Increase in this period	Amortization in this period	Other decrease	Ending balance
Land lease fees	59,328,587	316,285	1,010,855		58,634,017
Land-use fees	46,409,764		715,293		45,694,471
Afforestation fees	34,229,777	14,009,400	5,119,209		43,119,968
Renovation costs	23,957,390	2,407,628	6,042,785		20,322,233
Other	11,198,649	7,147,523	1,140,979		17,205,193
Total	175,124,167	23,880,836	14,029,121		184,975,882

7.16 Deferred income tax assets/liabilities

7.16.1 Un-off-set deferred income tax assets

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset impairment provision	35,347,011	8,836,752	35,347,011	8,836,753
Unrealized profits from inter-company transactions	557,348,660	139,337,165	691,741,084	172,935,271
Deductible loss	261,244,439	65,311,110	265,793,269	66,448,318
Unpaid bonus	107,114,508	26,778,627	133,017,447	33,254,362
Dismission welfare	15,323,295	3,830,824	16,147,369	4,036,842
Deferred income	75,554,681	15,701,677	81,078,284	16,895,110
Total	1,051,932,594	259,796,155	1,223,124,464	302,406,656

7.16.2 Un-off-set deferred income tax liabilities

Unit: Yuan

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Assets appraisal appreciation in business merger under non-common control	114,652,462	33,561,414	117,475,753	34,350,349
Change in fair value of available-for-sale financial assets				
Total	114,652,462	33,561,414	117,475,753	34,350,349

7.16.3 Details of unconfirmed deferred income tax assets

Unit: Yuan

Item	Ending balance	Beginning balance
Deductible loss	68,985,254	41,690,051
Total	68,985,254	41,690,051

7.16.4 Deductible losses of unconfirmed deferred income tax assets will expire in:

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2020	41,690,051	41,690,051	
2021	27,295,203		
Total	68,985,254	41,690,051	--

7.17 Other non-current assets

Unit: Yuan

Item	Ending balance	Beginning balance
Payment in advance for SOCIETE CIVILE AGRICOLE DU CHATEAU DE MIREFLEURS (“MIREFLEURS”)		28,096,895
Accounts receivable due to the transfer of biological assets	17,137,746	17,137,746
Total	17,137,746	45,234,641

7.18 Short-term loans

7.18.1 Classification of short-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	26,671,881	25,291,133
Guaranteed loan		
Fiduciary loan	639,881,300	640,290,788
Total	666,553,181	665,581,921

As at June 30, 2016, the factoring business of Atrio Group in such banks as BANKIA SA with the accounts receivable was EUR 3,616,526 (equivalent to RMB 26,671,881 Yuan).

7.19 Bills payable

Unit: Yuan

Type	Ending balance	Beginning balance
Trade acceptance		10,000,000

Bank acceptance	8,130,000	29,000,000
Total	8,130,000	29,000,000

7.20 Accounts payable

7.20.1 List of accounts payable

Unit: Yuan

Item	Ending balance	Beginning balance
Within one year	365,187,764	567,791,049
From one year to two years	4,541,631	1,487,319
From two years to three years	1,483,819	
Over three years		
Total	371,213,214	569,278,368

7.20.2 Significant accounts payable aged more than one year

As at June 30, 2016, the Group had no significant accounts payable aged more than one year.

7.21 Advances from customers

7.21.1 List of advances from customers

Unit: Yuan

Item	Ending sum	Beginning sum
Within one year	356,012,056	229,993,684
From one year to two years	3,369,608	286,001
From two years to three years	286,001	530,799
Over three years	4,186,316	3,756,020
Total	363,853,981	234,566,504

7.21.2 Advances from customers of significant amount aged more than one year

As at June 30, 2016, the Company had no advances from customers of significant amount aged more than one year.

7.22 Employee benefits payable

7.22.1 List of employee benefits payable

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Short-term remuneration	174,061,906	164,218,276	211,051,552	127,228,630
2. Post-employment welfare – defined contribution plan	30,176	16,496,837	16,020,168	506,845
3. Dismission welfare	16,147,369	1,192,853	2,016,927	15,323,295
4.Other welfare due within one year				
Total	190,239,451	181,907,966	229,088,647	143,058,770

7.22.2 List of short-term remuneration

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Salaries, bonuses, allowances and subsidies	170,720,455	146,160,715	193,565,689	123,315,481
2. Staff welfare	179,078	4,538,999	4,507,364	210,713
3. Social insurance charges	268,019	7,371,973	7,095,930	544,062
Including: Medical insurance	268,019	6,351,204	6,143,430	475,793
Injury insurance		678,697	640,110	38,587
Maternity insurance		342,072	312,390	29,682
4. Housing fund	47,318	4,601,896	4,428,192	221,022
5. Union fee and education fee	2,847,036	1,544,693	1,454,377	2,937,352
6. Short-term compensated absences				
7. Short-term profit-sharing plan				
8. Other				
Total	174,061,906	164,218,276	211,051,552	127,228,630

7.22.3 List of defined contribution plan

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic endowment insurance	29,995	15,751,716	15,304,729	476,982

Item	Beginning balance	Increase	Decrease	Ending balance
2. Unemployment insurance	181	745,121	715,439	29,863
3. Enterprise annuity payment				
Total	30,176	16,496,837	16,020,168	506,845

7.22.4 Dismission welfare

Unit: Yuan

Item	Beginning balance	Increase	Decrease	Ending balance
1. Compensation for server of labor relation				
2. Compensation for early retirement	16,147,369	1,192,853	2,016,927	15,323,295
Total	16,147,369	1,192,853	2,016,927	15,323,295

7.23 Taxes payable

Unit: Yuan

Item	Ending balance	Beginning balance
Value added tax	-109,356,166	-45,821,559
Consumption tax	7,079,077	18,638,837
Business tax		509,491
Corporate income tax	23,740,019	49,020,665
Individual income tax	7,226,125	6,587,254
Urban maintenance and construction tax	962,632	4,197,401
Property tax	652,393	855,668
Urban land use tax	2,651,566	2,812,536
Other	675,020	4,484,814
Total	-66,369,334	41,285,107

7.24 Interest payable

Unit: Yuan

Item	Ending balance	Beginning balance
Interest of long-term loans paid by installments with repayment of principal at maturity	659,680	643,973
Interest of enterprise bonds		
Interest payable of short-term loans	333,331	333,331

Interest of preferred stock/perpetual capital securities included in financial liabilities		
Other		
Total	993,011	977,304

7.25 Other payables

7.25.1 Other payables listed by nature

Unit: Yuan

Item	Ending balance	Beginning balance
Distributor’s deposit payable	140,712,535	114,475,163
Equipment purchase and construction costs payable	247,016,490	92,580,929
Transportation charges payable	11,353,913	29,713,956
Trademark use fee payable for Changyu Group Company	49,049,769	86,001,287
Advertising expenses payable	143,110,124	76,818,144
Increased capital of minority shareholders	22,522,636	22,522,636
Employee cash deposit	9,344,048	16,078,904
Supplier’s deposit payable	5,248,221	5,644,909
Contract fee payable	37,999,565	32,936,900
Other	22,416,098	32,453,567
Total	688,773,399	509,226,395

7.25.2 Other significant accounts payable aged more than one year

Unit: Yuan

Item	Ending balance	Cause of unpayment or carry-over
Beijing Qinglang Ecological Agriculture Technology Development Co., Ltd.	18,630,431	The procedures for capital increase haven’t been completed
Beijing Qinglang Ecological Agriculture Technology Development Co., Ltd.	12,092,414	The contracting fess haven’t been settled
Yantai De’an Investment Co., Ltd.	3,892,205	The procedures for capital increase haven’t been completed
Yantai De’an Investment Co., Ltd.	4,533,932	The contracting fess haven’t been settled
Total	39,148,982	--

7.26 Non-current liabilities due within one year

Unit: Yuan

Item	Ending balance	Beginning balance
Long-term loans due within one year	133,174,814	156,335,647
Total	133,174,814	156,335,647

7.27 Other current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Deferred income	11,181,873	11,241,873
Total	11,181,873	11,241,873

7.28 Long-term loans

7.28.1 Classification of long-term loans

Unit: Yuan

Item	Ending balance	Beginning balance
Pledge loan		
Mortgage loan	13,305,171	4,817,793
Guaranteed loan		
Fiduciary loan	83,506,868	66,868,836
Total	96,812,039	71,686,629

Description of the classification of long-term loans:

Item	Ending balance	Long-term loans due within one year	Long-term loans due over one year
Pledge loan	129,914,400	129,914,400	
Mortgage loan	13,373,360	68,189	13,305,171
Guaranteed loan			
Fiduciary loan	86,699,093	3,192,225	83,506,868
Total	229,986,853	133,174,814	96,812,039

As at June 30, 2016, the mortgage loan referred to the loan of EUR 1,813,337 (equivalent to RMB 13,373,360 Yuan) borrowed from BANCO POPULAR ESPAÑOL SA by Atrio Group which mortgaged its fixed assets of EUR 3,873,099 (equivalent to RMB 28,564,102 Yuan).

As at June 30, 2016, the pledge loan referred to the loan of HKD 152,000,000 (equivalent to RMB 129,914,400 Yuan) that the Company pledged the bank deposit of RMB 125,000,000 Yuan in HSBC Bank (China) Co., Ltd. Qingdao Branch. This loan is valid from July 4, 2014 to July 3, 2016, and the interest rate is 1.95% higher than the Hong Kong interbank benchmark interest rate for three months, which shall be paid quarterly. As at June 30, 2016, the interest rate of this pledge loan was 2.8603%.

7.29 Deferred income

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Forming reason
Government allowance	81,078,284	200,000	5,723,603	75,554,681	
Minus: Those included in current liabilities	11,241,873		60,000	11,181,873	--
Non-current liabilities	69,836,411	200,000	5,663,603	64,372,808	--

Projects related to government allowance

Unit: Yuan

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Other changes	Ending balance	Related to assets/income
Transferred fund by Miyun County Committee Propaganda Department	2,666,835		444,473		2,222,362	Related to assets
Grape bulk wine brewing project	7,609,243		717,437		6,891,806	Related to assets
Reward of investment in fixed assets of Shihezi Chateau Project	13,836,600		1,140,000		12,696,600	Related to assets
Industrial revitalization and technical transformation project in Xinjiang	19,908,000		711,000		19,197,000	Related to assets
Industrial revitalization and	7,676,000		1,694,500		5,981,500	Related to assets

Item of liabilities	Beginning balance	Amount of subsidy newly increased in this period	Amount included in non-operating revenue in this period	Other changes	Ending balance	Related to assets/income
technical transformation project in Ningxia						
Subsidy payment for wine grapes	470,000				470,000	Related to income
Modern agriculture-produced grape development subsidy	324,000				324,000	Related to income
Special fund for Wuyouyixin industrial cluster	60,000		30,000		30,000	Related to assets
Subsidy for agricultural science	822,000				822,000	Related to income
(Huanren) wine-making production capacity construction project	4,000,000				4,000,000	Related to assets
Electronic traceability system project of wine	4,526,419		333,527		4,192,892	Related to assets
Wine industry development project	930,000				930,000	Related to assets
Peninsula blue economic zone construction project	10,000,000				10,000,000	Related to assets
Scientific research fund subsidy of National 863 Plan	59,890				59,890	Related to income
Technical transformation project of information-based system construction engineering	4,640,000		290,000		4,350,000	Related to assets
Subsidy for project integrating IT application with industrialization	28,800				28,800	Related to income
Cross-border e-commerce project	1,660,497		88,800		1,571,697	Related to income
Red wine phenolic substance research project	300,000		4,399		295,601	Related to income
Grape base construction project	1,560,000		260,000		1,300,000	Related to assets
Water pollution control project		200,000	9,467		190,533	Related to assets
Total	81,078,284	200,000	5,723,603		75,554,681	
Minus: Those included in current liabilities	11,241,873				11,181,873	
Non-current liabilities	69,836,411				64,372,808	--

7.30 Other non-current liabilities

Unit: Yuan

Item	Ending balance	Beginning balance
Employee benefits payable	4,047,476	4,047,476
Total	4,047,476	4,047,476

7.31 Share capital

Unit: Yuan

	Beginning balance	Increase or decrease (+,-) in this period					Ending balance
		Newly issued shares	Allocated shares	Share transferred from accumulation fund	Other	Subtotal	
Total shares	685,464,000						685,464,000

7.32 Capital reserves

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Capital premium (Share capital premium)	560,038,853			560,038,853
Other capital reserves	5,916,588			5,916,588
Total	565,955,441			565,955,441

7.33 Other comprehensive income

Unit: Yuan

Item	Beginning	Amount incurred in this period	Ending

		Amount incurred before income tax in this period	Minus: profit or loss in this period transferred from other comprehensive income before	Minus: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
1. Other comprehensive income not to be reclassified into profit and loss later							
Including: change in net liabilities and net assets from recalculated defined benefit plan							
Share enjoyed in other comprehensive income not to be reclassified into profit and loss in invested unit under equity law							
2. Other comprehensive income to be reclassified into profit and loss later	-10,442,512	6,701,754			6,249,919	451,835	-4,192,593
Including: share enjoyed in other comprehensive income to be reclassified into profit and loss in invested unit under equity law							
Profit and loss from changes in fair value of financial assets for sale							
Profit and loss from reclassification of held-to-maturity investment into fair value of financial assets for sale							
Effective part of profit and loss of cash-flow hedge							
Difference in translation of Foreign Currency Financial Statement	-10,442,512	6,701,754			6,249,919	451,835	-4,192,593
Total other comprehensive income	-10,442,512	6,701,754			6,249,919	451,835	-4,192,593

7.34 Surplus reserves

Unit: Yuan

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
Legal surplus reserves	342,732,000			342,732,000
Free surplus reserves				
Reserve fund				
Enterprise expansion fund				
Other				
Total	342,732,000			342,732,000

7.35 Undistributed profit

Unit: Yuan

Item	This period	Prior period
Undistributed profit at the end of prior period before adjustment	5,980,390,074	5,251,920,374
Total Undistributed profit at the beginning of the period before adjustment (increase listed with+ , and decrease listed with -)		
Undistributed profit at the beginning of the period after adjustment	5,980,390,074	5,251,920,374
Plus: Net profit for owner of the parent company	695,021,847	1,030,073,860
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable		301,604,160
Common dividend transferred to share capital		
Undistributed profit at the end of period	6,675,411,921	5,980,390,074

7.36 Operating income and cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	2,748,285,416	899,973,878	2,822,557,981	929,890,756
Other business	4,747,383	2,760,226	3,235,269	2,631,987
Total	2,753,032,799	902,734,104	2,825,793,250	932,522,743

7.37 Business taxes and surcharges

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Consumption tax	105,763,800	84,797,329
Business Tax	1,175,187	1,518,690
Urban maintenance and construction tax	24,721,309	28,968,941
Education surcharges	18,089,897	15,286,114
Other	3,331,599	10,040,014
Total	153,081,792	140,611,088

7.38 Selling expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Advertising expenses	332,116,022	360,539,291
Transportation & handling expenses	66,063,407	65,691,087
Trademark usage expenses	46,273,367	50,302,290
Storage and lease expenses	39,026,546	36,943,556
Employee remunerations	104,719,946	92,074,479
Travel expenses	11,904,193	11,066,307
Other	50,633,753	36,808,506
Total	650,737,234	653,425,516

7.39 Administrative expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Employee remunerations	42,548,604	42,052,514
Rental expenses	4,259,474	4,284,471
Depreciation expenses	21,005,970	18,919,997
Amortization expenses	7,782,091	5,652,361
Office expenses	8,197,736	7,217,464
Travel expenses	2,312,625	2,280,457
Business entertainment expenses	2,639,867	3,221,229
Building tax, stamp duty & other taxes	10,233,687	10,197,817

Repair expenses	5,623,236	5,202,754
Contracting expenses	9,241,885	9,231,363
Other	8,850,670	11,509,913
Total	122,695,845	119,770,340

7.40 Financial expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Interest expenditure	15,830,699	11,180,635
Minus: Interest income	7,189,121	10,172,582
Plus: Commission charges	859,954	655,685
Exchange gain or loss	1,486,701	-5,544,641
Total	10,988,233	-3,880,903

7.41 Non-operating income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Total gains on disposal of non-current assets	94,567	2,985	94,567
Including: Gains on disposal of fixed assets	94,567	2,985	94,567
Gains on disposal of intangible assets			
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Grains on donations			
Government allowance	18,145,874	6,527,952	18,145,874
Other	3,693,085	2,265,897	3,693,085
Total	21,933,526	8,796,834	21,933,526

Government allowance included in the current profits/losses:

Unit: Yuan

Item of allowance	Amount incurred in this period	Amount incurred in prior period	Related to assets/income
Funds to support major projects	3,567,410	3,942,973	Related to assets

Funds to support small and medium-sized Enterprises	2,062,994	1,508,949	Related to assets
Tax returns	12,116,257		Related to income
Other	399,213	1,076,030	Related to income
Total	18,145,874	6,527,952	--

7.42 Non-operating expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period	Amount included in the current non-recurring profits/losses
Total loss on disposal of	110,052	1,564	110,052
Including: Loss on disposal of fixed assets	110,052	1,564	110,052
Loss on disposal of intangible assets			
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation	15,000	303,000	15,000
Fine, penalty and overdue fine paid due to violation of laws and administrative regulations	165,589	36,021	165,589
Other	53,135	13,366	53,135
Total	343,776	353,951	343,776

7.43 Income tax expenses

7.43.1 List of income tax expenses

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Current income tax expenses	196,893,915	213,682,126
Deferred income tax expenses	41,821,566	32,044,975
Total	238,715,481	245,727,101

7.43.2 Adjustment process of accounting profit and income tax expenses

Unit: Yuan

Item	Amount incurred in this period

Total profit	934,385,341
Income tax expenses calculated according to the legal/applicable tax rate	233,596,335
Influence of different tax rates applicable to subsidiary	-3,875,421.75
Influence of income tax in the term before adjustment	
Influence of nontaxable income	
Influence of non-deductible costs, expenses and losses	2,170,767
Influence of deductible loss from use of unconfirmed deferred income tax assets in prior period	
Influence of deductible temporary difference or deductible loss of unconfirmed deferred income tax assets in this period	6,823,801
Income tax expense	238,715,481

7.44 Other comprehensive income

See details in Note 33.

7.45 Items of cash flow statement

7.45.1 Other cash received related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Government allowance income	506,015	4,518,193
Other	5,457,993	3,694,770
Withdrawal of cash deposit for notes payable	21,870,000	
Total	27,834,008	8,212,963

7.45.2 Other cash paid related to operating activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Selling expenses	403,264,891	349,236,795
Administrative expenses	37,642,759	35,679,002
Other	1,595,101	5,414,680
Total	442,502,751	390,330,477

7.45.3 Other cash paid related to financial activities

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
R&D Company' long-term loans pledged by fixed-term deposits	20,000,000	
Total	20,000,000	

7.46 Supplementary information to cash flow statement

7.46.1 Supplementary information to cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	695,669,860	746,060,248
Plus: Provision for impairment of assets		
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	91,227,146	76,223,958
Intangible assets amortization	6,939,854	5,705,246
Amortization of long term prepaid expenses	14,029,121	10,637,506
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with "—")	15,485	-1,421
Losses on retirement of fixed assets (profit listed with "—")		
Losses on fair value change (profit listed with "—")		
Financial costs (profit listed with "—")	11,808,339	2,219,651
Investment losses (profit listed with "—")		
Decrease in deferred income tax assets (increase listed with "-")	42,610,501	32,098,120
Increase of deferred income tax liabilities (decrease listed with "—")	-788,935	-53,145
Decrease in inventories (increase listed with "-")	413,879,818	593,980,807
Decrease in operating receivables (increase listed with "-")	-395,702,109	-290,154,233
Increase in operating payable (decrease listed with "-")	-196,940,711	-249,553,677
Other		
Net cash flows from operating activities	682,748,369	927,163,060
2. Significant investment and financing activities not	--	--

Supplementary materials	Amount incurred in this period	Amount incurred in prior period
involving cash deposit and withdrawal:		
Debt transferred into assets		
Convertible corporate bond due within 1 year		
Fixed assets under financing lease		
3. Net changes of cash and cash equivalent:	--	--
Ending balance of cash	1,643,935,054	1,431,026,523
Minus: Beginning balance of cash	1,092,241,661	960,472,274
Plus: Ending balance of cash equivalent		
Minus: Beginning balance of cash equivalent		
Net increase amount of cash and cash equivalent	551,693,393	470,554,249

7.46.2 Net cash paid for acquiring subsidiaries in this period

Unit: Yuan

	Amount
Cash or cash equivalents paid for business merger in this period	764,213
Including:	--
Mirefleurs	764,213
Minus: Cash or cash equivalents held by the subsidiaries on the purchasing date	1,777
Including:	--
Mirefleurs	1,777
Plus: Cash or cash equivalents paid for business merger in previous terms	
Including:	--
Net cash paid for acquiring subsidiaries	762,436

7.46.3 Composition of cash and cash equivalents

Unit: Yuan

Item	Ending balance	Beginning balance
1. Cash	1,643,935,054	1,431,026,523
Including: Cash on hand	189,184	484,571
Bank deposits on demand	1,643,745,870	1,430,541,952
Other monetary capital on demand		
Due from central bank available for payment		
Due from the industry		
Inter-bank lending		

2. Cash equivalents		
Including: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of period	1,643,935,054	1,431,026,523
Including: restricted use of parent company or subsidiaries in the group		

7.47 Assets with ownership or use right restrictions

Unit: Yuan

Item	Ending book value	Reason for restriction
Monetary capital	182,069,398	Loan cash deposit, housing fund and guaranty money for deposit in unit card
Notes receivable		
Inventory		
Fixed assets	28,564,102	Mortgage loan
Intangible assets		
Accounts receivable	26,671,881	Mortgage loan
Total	237,305,381	--

7.48 Foreign currency monetary items

7.48.1 Foreign currency monetary items

Unit: Yuan

Item	Ending foreign currency balance	Translation exchange rate	Ending converted RMB balance
Long-term loans due within one year	--	--	129,914,400
Including: USD			
EUR			
HKD	152,000,000	0.8547	129,914,400
Long-term loans	--	--	44,250,000
Including: USD			
EUR	6,000,000	7.375	44,250,000
HKD			

7.48.2 Overseas operational entities

The currency adopted by the overseas subsidiaries of the Company according to the main economic environment where the operation is located shall be chosen as the recording currency. Atrio Group and Francs Champs Participations SAS (“Francs Champs”) both use EUR as the recording currency, which didn’t have foreign currency assets and liabilities at the end of this period.

8. Changes in scope of consolidation

8.1 Business merger under non-common control

8.1.1 Business merger under non-common control in this period

Unit: Yuan

Name of the purchased	Time of equity acquisition	Cost of equity acquisition	Shareholding ratio	Way of equity acquisition	Purchasing date	Determination basis of the purchasing date	Income of the purchased from the purchasing date to the end of this period	Net profit of the purchased from the purchasing date to the end of this period
Mirefleurs	2016.01.01	23,331,010	90 %	Purchase	2016.01.01	Payment completed with acquisition of equity	525,335	-212,461

Other description:

According to the *Equity Transfer Contract* signed between Francs Champs Participations SAS (hereinafter referred to as “Francs Champs”), one wholly-owned subsidiary of the Company, and France Chateau Castel Company, Francs Champs purchased 90% of the shares held by Chateau Castel in Societe Civile Agricole du Chateau de Mirefleurs (“Mirefleurs”) with the cash of EUR 3.33 Million (equivalent to RMB 2,331,010 Yuan).

8.1.2 Combined cost and goodwill

Unit: Yuan

Combined cost	Mirefleurs
--Cash	23,331,010
-- Fair value of the non-cash assets	
-- Fair value of the issued or assumed debts	
-- Fair value of the issued equity securities	
-- Fair value of the contingent consideration	
-- Fair value of the stock equity held before the purchasing date on the purchasing date	
--Other	

Combined cost	Mirefleurs
Total combined cost	23,331,010
Minus: Fair value share of the acquired net identifiable assets	9,348,857
Amount of the share that the goodwill/combined cost is less than the fair value of the net identifiable assets	13,982,153

8.1.3 Identifiable assets and liabilities of the purchased on the purchasing date

Unit: Yuan

Item	Mirefleurs	
	Fair value on the purchasing date	Book value on the purchasing date
Assets:		
Monetary capital	1,777	1,777
Accounts receivable	65,652	65,652
Inventory	9,925,906	9,925,906
Fixed assets	8,043,320	8,043,320
Intangible assets	2,486	2,486
Biological assets	1,768,441	1,768,441
Total assets	19,807,582	19,807,582
Liabilities:		
Loans	1,108,029	1,108,029
Payables	8,311,934	8,311,934
Deferred tax liabilities		
Total liabilities	9,419,963	9,419,963
Net assets	10,387,619	10,387,619
Minus: Minority equity	1,038,762	1,038,762
Net assets acquired	9,348,857	9,348,857

9. Equity in other entities

9.1 Equity in the subsidiaries

9.1.1 Constitution of enterprise group

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Xinjiang Tianzhu (a)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	60 %		Acquired from a business combination under non-common control
Francs Champs Participations SAS	Cognac, France	Cognac, France	Trading	100 %		Acquired from a business combination under non-common control
Atrio Group	Navarra, Spain	Navarra, Spain	Sales	75 %		Acquired from a business combination under non-common control
Mirefleurs	Bordeaux, France	Bordeaux, France	Wine manufacturing		90 %	Acquired from a business combination under non-common control
Beijing Changyu Wine Marketing Co., Ltd. (“Beijing Marketing”)	Beijing City, China	Beijing City, China	Sales	100 %		Acquired by establishment or investment
Yantai Kylin Packaging Co., Ltd. (“Kylin Packaging”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100 %		Acquired by establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd. (“Chateau Changyu”) (b)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	70 %		Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Co., Ltd. (“Jingyang Wine”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	90 %	10 %	Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. (“Sales Company”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	100 %		Acquired by establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd. (“Langfang Castel”) (c)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Manufacturing industry	39 %	10 %	Acquired by establishment or investment
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd. (“Jingyang Sales”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales	10 %	90 %	Acquired by establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd. (“Langfang Sales”)	Langfang City, Hebei Province, China	Langfang City, Hebei Province, China	Sales	10 %	90 %	Acquired by establishment or investment
Shanghai Changyu Wine Marketing Co., Ltd. (“Shanghai Marketing”)	Shanghai City, China	Shanghai City, China	Sales	30 %	70 %	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Beijing Changyu AFIP Eco-agriculture Development Co., Ltd. ("Eco-agriculture Development")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Sales		100 %	Acquired by establishment or investment
Beijing Changyu AFIP Wine Chateau Co., Ltd. ("Beijing Chateau") (d)	Beijing City, China	Beijing City, China	Manufacturing industry	70 %		Acquired by establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	90 %	10 %	Acquired by establishment or investment
Yantai Changyu Pioneer International Wine Co., Ltd. ("Pioneer International")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales	70 %	30 %	Acquired by establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100 %	Acquired by establishment or investment
Ningxia Growing	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Planting industry	100 %		Acquired by establishment or investment
Huanren Changyu National Wine Sales Co., Ltd. ("National Wine")	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Sales	100 %		Acquired by establishment or investment
Liaoning Changyu Icewine Chateau Co., Ltd. ("Icewine Chateau") (e)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Manufacturing industry	51 %		Acquired by establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment
Shenzhen Changyu Wine Marketing Co., Ltd. ("Shenzhen Marketing")	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Sales		100 %	Acquired by establishment or investment
Yantai Fushan District Changyu Trading Co., Ltd. ("Fushan Trading")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment
Beijing Changyu AFIP International Conference Center ("Conference Center")	Miyun County, Beijing City, China	Miyun County, Beijing City, China	Service industry		100 %	Acquired by establishment or investment
Beijing Changyu AFIP	Miyun County, Beijing City,	Miyun County, Beijing City,	Tourist		100 %	Acquired by establishment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Tourism and Culture Co., Ltd. (“AFIP Tourism”)	China	China	industry			or investment
Changyu (Ningxia) Pioneer Wine Co., Ltd. (“Ningxia Wine”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100 %		Acquired by establishment or investment
Yantai Changyu Tinlot Chateau Co., Ltd. (“Tinlot Chateau”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Prepackaged food wholesale	65 %	35 %	Acquired by establishment or investment
Changyu (Qingtongxia) Wine Sales Co., Ltd. (“Qingtongxia Sales”)	Qingtongxia City, Ningxia Hui Autonomous Region, China	Qingtongxia City, Ningxia Hui Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Shihezi Chateau	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing industry	100 %		Acquired by establishment or investment
Chateau Changyu Moser XV Ningxia Co., Ltd. (“Ningxia Chateau”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing industry	100 %		Acquired by establishment or investment
Chateau Changyu Rena Shaanxi Co., Ltd. (“Chang’an Chateau”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Manufacturing industry	100 %		Acquired by establishment or investment
Yantai Changyu Wine Research, Development & Manufacture Co., Ltd. (“R&D Company”)	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Manufacturing industry	100 %		Acquired by establishment or investment
Changyu (Huanren) Pioneer Wine Co., Ltd. (“Huanren Wine”)	Benxi City, Liaoning Province, China	Benxi City, Liaoning Province, China	Wine making project establishment	100 %		Acquired by establishment or investment
Xinjiang Changyu Wine Sales Co., Ltd. (“Xinjiang Sales”)	Shihezi City, Xinjiang Uygur Autonomous Region, China	Shihezi City, Xinjiang Uygur Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Ningxia Changyu Trading Co., Ltd. (“Ningxia Trading”)	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd. (“Shaanxi Sales”)	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100 %	Acquired by establishment or investment
Penglai Changyu Wine Sales Co., Ltd. (“Penglai Wine”)	Penglai City, Shandong Province, China	Penglai City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment
Laizhou Changyu Wine Sales Co., Ltd. (“Laizhou Sales”)	Laizhou City, Shandong Province, China	Laizhou City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Lanzhou Changyu Wine Marketing Co., Ltd. ("Lanzhou Marketing")	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales	100 %		Acquired by establishment or investment
Beijing Changyu Trading Co., Ltd. ("Beijing Trading")	Beijing City, China	Beijing City, China	Sales		100 %	Acquired by establishment or investment
Tianjin Changyu Pioneer Wine Sales Co., Ltd. ("Tianjin Pioneer")	Tianjin City, China	Tianjin City, China	Sales		100 %	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. ("Fuzhou Pioneer")	Fuzhou City, Fujian Province, China	Fuzhou City, Fujian Province, China	Sales		100 %	Acquired by establishment or investment
Nanjing Changyu Pioneer Wine Co., Ltd. ("Nanjing Pioneer")	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Sales		100 %	Acquired by establishment or investment
Xianyang Changyu Pioneer Wine Sales Co., Ltd. ("Xianyang Pioneer")	Xianyang City, Shaanxi Province, China	Xianyang City, Shaanxi Province, China	Sales		100 %	Acquired by establishment or investment
Shenyang Changyu Pioneer Wine Co., Ltd. ("Shenyang Pioneer")	Shenyang City, Liaoning Province, China	Shenyang City, Liaoning Province, China	Sales		100 %	Acquired by establishment or investment
Jinan Changyu Pioneer Wine Co., Ltd. ("Jinan Pioneer")	Jinan City, Shandong Province, China	Jinan City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment
Shanghai Changyu Pioneer Wine Co., Ltd. ("Shanghai Pioneer")	Shanghai City, China	Shanghai City, China	Sales		100 %	Acquired by establishment or investment
Fuzhou Changyu Pioneer Wine Co., Ltd. ("Fuzhou Pioneer")	Fuzhou City, Jiangxi Province, China	Fuzhou City, Jiangxi Province, China	Sales		100 %	Acquired by establishment or investment
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. ("Shijiazhuang Pioneer")	Shijiazhuang City, Hebei Province, China	Shijiazhuang City, Hebei Province, China	Sales		100 %	Acquired by establishment or investment
Hangzhou Yuzefeng Trading Co., Ltd. ("Hangzhou Yuzefeng")	Hangzhou City, Zhejiang Province, China	Hangzhou City, Zhejiang Province, China	Sales		100 %	Acquired by establishment or investment
Jilin Changyu Pioneer Wine Co., Ltd. ("Jilin Pioneer")	Changchun City, Jilin Province, China	Changchun City, Jilin Province, China	Sales		100 %	Acquired by establishment or investment
Beijing Changyu Pioneer	Beijing City, China	Beijing City, China	Sales		100 %	Acquired by establishment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Wine Sales Co., Ltd. ("Beijing Pioneer")						or investment
Harbin Changyu Pioneer Wine Sales Co., Ltd. ("Harbin Pioneer")	Harbin City, Heilongjiang Province, China	Harbin City, Heilongjiang Province, China	Sales		100 %	Acquired by establishment or investment
Hunan Changyu Pioneer Wine Co., Ltd. ("Hunan Pioneer")	Changsha City, Hunan Province, China	Changsha City, Hunan Province, China	Sales		100 %	Acquired by establishment or investment
Yinchuan Changyu Pioneer Wine Co., Ltd. ("Yinchuan Pioneer")	Yinchuan City, Ningxia Hui Autonomous Region, China	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Kunming Changyu Pioneer Wine Co., Ltd. ("Kunming Pioneer")	Kunming City, Yunnan Province, China	Kunming City, Yunnan Province, China	Sales		100 %	Acquired by establishment or investment
Chongqing Changyu Pioneer Wine Sales Co., Ltd. ("Chongqing Pioneer")	Chongqing City, China	Chongqing City, China	Sales		100 %	Acquired by establishment or investment
Zhengzhou Changyu Pioneer Wine Co., Ltd. ("Zhengzhou Pioneer")	Zhengzhou City, Henan Province, China	Zhengzhou City, Henan Province, China	Sales		100 %	Acquired by establishment or investment
Wuhan Changyu Pioneer Wine Co., Ltd. ("Wuhan Pioneer")	Wuhan City, Hubei Province, China	Wuhan City, Hubei Province, China	Sales		100 %	Acquired by establishment or investment
Taiyuan Changyu Pioneer Wine Co., Ltd. ("Taiyuan Pioneer")	Taiyuan City, Shanxi Province, China	Taiyuan City, Shanxi Province, China	Sales		100 %	Acquired by establishment or investment
Hohhot Changyu Pioneer Wine Co., Ltd. ("Hohhot Pioneer")	Hohhot City, Inner Mongolia Autonomous Region , China	Hohhot City, Inner Mongolia Autonomous Region , China	Sales		100 %	Acquired by establishment or investment
Chengdu Changyu Pioneer Wine Co., Ltd. ("Chengdu Pioneer")	Chengdu City, Sichuan Province, China	Chengdu City, Sichuan Province, China	Sales		100 %	Acquired by establishment or investment
Nanning Changyu Pioneer Wine Co., Ltd. ("Nanning Pioneer")	Nanning City, Guangxi Zhuang Autonomous Region, China	Nanning City, Guangxi Zhuang Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Lanzhou Changyu Pioneer Wine Co., Ltd. ("Lanzhou	Lanzhou City, Gansu Province, China	Lanzhou City, Gansu Province, China	Sales		100 %	Acquired by establishment or investment

Name of subsidiary	Principal business location	Registration place	Business nature	Proportion of shareholding		Acquisition mode
				Direct	Indirect	
Pioneer")						
Yantai Roullet-Fransac Imported Wine Sales Co., Ltd. ("Yantai Roullet-Fransac")	Yantai City, Shandong Province, China	Yantai City, Shandong Province, China	Sales		100 %	Acquired by establishment or investment
Hefei Changyu Pioneer Wine Co., Ltd. ("Hefei Pioneer")	Hefei City, Anhui Province, China	Hefei City, Anhui Province, China	Sales		100 %	Acquired by establishment or investment
Urumchi Changyu Pioneer Wine Co., Ltd. ("Urumchi Pioneer")	Urumchi City, Xinjiang Uygur Autonomous Region, China	Urumchi City, Xinjiang Uygur Autonomous Region, China	Sales		100 %	Acquired by establishment or investment
Guizhou Changyu Pioneer Wine Co., Ltd. ("Guizhou Pioneer")	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Sales		100 %	Acquired by establishment or investment

Explanation for difference between the proportion of shareholding and proportion of voting power in the subsidiaries:

(a) Xinjiang Tianzhu is a subsidiary of the Company obtained by merger and acquisition, whose 60% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Xinjiang Tianzhu by contract arrangement. The contract arrangement will terminate on December 31, 2018.

(b) Changyu Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, whose 70% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Changyu Chateau by contract arrangement. The contract arrangement will terminate on December 31, 2022.

(c) Langfang Castel is a Sino-foreign joint venture established by the Company and a foreign investor, whose 49% of the shares are held by the Company and its subsidiaries. The Company exercises full control over the operation, investment and financing policies of Langfang Castel by contract arrangement. The contract arrangement will terminate on December 31, 2022.

(d) Beijing Chateau is a limited liability company established by the Company and a domestic investor, whose 70% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Beijing Chateau by contract arrangement. The contract arrangement will terminate on September 2, 2019.

(e) Icewine Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, whose 51% of the shares are held by the Company. The Company exercises full control over the operation, investment and financing policies of Icewine Chateau by contract arrangement. The contract arrangement will terminate at December 31, 2016.

9.1.2 Important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Shareholding proportion of minority shareholders	Profit/loss attributable to minority shareholders in this period	Dividend declared to be distributed to minority shareholders in this period	Balance of minority shareholder's interest at the end of period
Xinjiang Tianzhu	40%			56,093,912
Atrio Group	25 %	669,259		33,768,700
Changyu Chateau	30 %			12,365,016
Langfang Castel	51 %			22,702,522
Beijing Chateau	30 %			35,293,868
Icewine Chateau	49 %			33,319,062

Explanation for difference between the proportion of shareholding and proportion of voting power of the minority shareholders in the subsidiaries:

See details in Note 9.1.

9.1.3 Main financial information of important non-wholly-owned subsidiaries

Unit: Yuan

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	98,432,365	80,498,095	178,930,460	47,768,551	5,336,114	53,104,664
Changyu Chateau	137,074,770	117,907,315	254,982,086	193,566,232		193,566,232
Langfang Castel	23,378,862	21,415,349	44,794,211	8,198,827		8,198,827
Beijing Chateau	221,531,235	512,424,347	733,955,582	561,347,980	1,333,418	562,681,397
Icewine Chateau	61,127,237	28,397,506	89,524,743	34,821,888	100,000	34,921,888

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Atrio Group	256,585,879	158,172,897	414,758,775	198,016,686	81,667,290	279,683,976

Unit: Yuan

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	101,018,712	81,709,715	182,728,427	15,554,068	5,336,114	20,890,182
Changyu Chateau	156,538,810	118,256,609	274,795,419	191,898,436		191,898,436
Langfang Castel	30,867,940	22,471,694	53,339,634	7,913,957		7,913,957
Beijing Chateau	216,643,935	523,151,845	739,795,780	588,733,969	1,777,890	590,511,859
Icewine Chateau	43,224,419	29,322,675	72,547,094	12,623,467	100,000	12,723,467
Atrio Group	277,879,914	157,297,623	435,177,537	259,625,473	44,813,493	304,438,966

Unit: Yuan

Name of subsidiary	Amount incurred in this period				Amount incurred in prior period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Tianzhu	71,414,395	8,855,720	8,855,720	10,345,022	65,111,307	643,354	643,354	2,190,239
Changyu Chateau	25,120,685	-1,835,054	-1,835,054	16,363,694	37,153,833	787,674	787,674	-1,684,390
Langfang Castel	23,893,566	1,141,604	1,141,604	8,003,926	27,859,048	456,864	456,864	-1,645,940
Beijing Chateau	96,780,881	22,140,264	22,140,264	19,711,484	75,082,711	8,118,305	8,118,305	50,443,509
Icewine Chateau	16,400,216	-3,220,773	-3,220,773	-2,213,030	27,030,519	715,756	715,756	-4,588,284
Atrio Group	138,454,701	2,677,035	4,336,228	-10,296,603				

10. Risks related to financial instruments

The main financial instruments of this Group include monetary capital, bills receivable, accounts receivable, interest receivable, other receivables, other non-current assets, short-term loans, bills payable, accounts payable, other payables, interest payable and long-term loans. See details of each financial instrument in Note 7. The risks related to these financial instruments and risk management policies adopted by this Group to reduce these risks are shown as follows. The management of this Group manages and monitors these risk exposures to ensure that the above-mentioned risks are controlled within a defined scope.

This Group adopts sensitivity analysis techniques to analyze the possible influence of possible reasonable changes of risk variables on the current profit and loss and shareholders' equity. Since any risk variable merely changes independently and the final influence of relevance between variables on the change of certain risk variable will exert a great effect, the following content is carried out under the hypothesis that each variable changes independently.

10.1 Risk management objective and policy

The risk management objective of this Group is to achieve proper balance between risks and benefits, to minimize the negative influence of the risks on the business performance of this Group and to maximize the shareholders' benefit. Based on this risk management objective, the basic risk management strategy of this Group is to determine and analyze various risks faced by this Group, to set up proper risk tolerance bottom line and to carry out risk management, and to supervise various risks timely and reliably to control the risks within a defined scope.

10.1.1 Market risk

① Foreign exchange risk

Foreign exchange risk refers to risk of causing loss due to exchange rate fluctuation. The foreign exchange risk borne by this Group is mainly relevant to EUR and HKD, except that the overseas subsidiaries of this Group carry out purchase and sales with EUR and except for loans in EUR and HKD, other main business activities of this Group are priced and settled with RMB. As at June 30, 2016, except that the assets and liabilities mentioned in the table below were the balance in EUR and HKD, the assets and liabilities of this Group were all the balance in RMB. The foreign exchange risk caused by the assets and liabilities of balance in these currencies may exert an influence on the business performance of this Group.

Unit: Yuan

Item	Ending balance	Beginning balance
Monetary capital		151,843,602
Short-term loans		103,297,447
Long-term loans due within one year	129,914,400	127,345,600
Long-term loans	44,250,000	56,761,600

This Group pays close attention to the influence of exchange rate fluctuation on the foreign exchange risk of this Group. This Group has not taken any measures to avoid the foreign exchange risk at present.

Sensitivity analysis of foreign exchange risk

With the other variables unchanged, the pre-tax influence of possible reasonable exchange rate fluctuation on current profit and loss and shareholders' equity is as follows:

Unit: Yuan

Item	Exchange rate fluctuation	This year	
		Influence on profit of this period	Influence on shareholders' equity
HKD	5% appreciation against RMB	-6,495,720	-6,495,720
HKD	5% depreciation against RMB	6,495,720	6,495,720
EUR	5% appreciation against RMB	-2,212,500	-2,212,500
EUR	5% depreciation against RMB	2,212,500	2,212,500

② Interest rate risk – risk of change in cash flow

The risk of change in cash flow of financial instruments caused by interest rate change of this Group is mainly relevant to the monetary capital and long-term loan at floating interest rate. The policy of this Group is to maintain the floating interest rate of these loans to eliminate the risk of change in fair value of the interest rate.

Sensitivity analysis of interest rate risk

Sensitivity analysis of interest rate risk is based on the hypothesis that the change in market interest rate influences the interest income or expense of financial instruments at variable rate.

The management of this Group thinks that the interest rate risk of deposit in bank borne by this Group is not significant, therefore the sensitivity analysis of interest rate of deposit in bank is not disclosed here.

On the basis of the above-mentioned hypothesis, with the other variables unchanged, the pre-tax influence of possible reasonable exchange rate fluctuation on current profit and loss and shareholders' equity is as follows:

Unit: Yuan

Item	Interest rate change	This year	
		Influence on profit of this period	Influence on shareholders' equity
Bank loan	Increase by 50 BP	-1,305,630	-1,305,630
Bank loan	Decrease by 50 BP	1,305,630	1,305,630

10.1.2 Credit risk

As at June 30, 2016, the largest credit risk exposure possibly causing the financial loss of this Group was mainly caused by the loss generated by the financial assets of this Group caused by failure of another party of the contract in fulfilling obligations.

To lower the credit risk, this Group only trades with the recognized and reputable third party. In accordance with the policy of this Group, credit check shall be carried out for all customers requiring to adopt form of credit to trade. In addition, this Group conducts continuous monitoring on the balance of accounts receivable to ensure that this Group will not face major risk of bad debts. For transactions not settled with recording currency of relevant business units, unless the credit control department of this Group specially approves, this Group will not provide credit trade terms. In addition, this Group audits the collection of each single significant account receivable on each date of balance sheet to ensure that sufficient bad-debt provision is accrued for accounts unable to be collected. Therefore, the management of this Group thinks the credit risk borne by this Group is greatly reduced.

Since this Group only trades with the recognized and reputable third party, no collateral is required. The credit risk is managed centrally according to the customer/counter-party, geographic area and industry. As at June 30, 2016, 28.8% of accounts receivable of this Group came from top five borrowers in accounts receivable of this Group (December 31, 2015: 28.4%). This Group holds no collateral or other credit enhancement for balance of accounts receivable.

Analysis of financial assets with single impairment incurred

On the date of balance sheet, for accounts receivable of Tiantong Securities Co., Ltd. with single confirmed impairment incurred, since this company is insolvent, this Group has accrued bad-debt provision in full.

10.1.3 Liquidity risk

When managing the liquidity risk, this Group reserves and monitors the cash and cash equivalents the management considers sufficient to satisfy the operation need of this Group and reduce the influence of fluctuation in cash flow. The management of this Group monitors the use of bank loans and ensures to abide by the loan agreement.

10.1.4 Disclosure of fair value – fair value of financial assets and liabilities not measured by fair value

The management of this Group thinks that, as at June 30, 2016, the book value of financial assets and liabilities measured by amortized cost was close to the fair value thereof.

11. Related parties and related transactions

11.1 Particulars of the parent company of the Company

Name of parent company	Registration place	Business nature	Registered capital	Proportion of shareholding of the parent company in the Company	Proportion of voting powers of the parent company in the Company
Changyu Group Company	Yantai City	Manufacturing industry	50,000,000	50.40%	50.40%

From January to June 2016, there was no fluctuation in registered capital of the parent company and its share of equity interest and share of voting rights.

Final controlling parties of the Company are jointly controlled by four parties including Yantai Guofeng Investment Holding Co., Ltd., ILLVA Saronno Holding SpA, International Finance Corporation and Yantai Yuhua Investment & Development Co., Ltd.

11.2 Particulars of the subsidiaries of the Company

See particulars of the subsidiaries of the Company in Note 9.

11.3 Particulars of other related parties

Name of other related parties	Relationship between other related parties and the Company
Yantai Changyu Wine Culture Museum Co., Ltd. (“Wine Culture Museum”)	A company controlled by the same parent company
Yantai Changyu Window of International Wine City Co. Ltd. (“Window of Wine City”)	A company controlled by the same parent company
Yantai God Horse Packing Co., Ltd. (“God Horse Packing”)	A company controlled by the same parent company
Yantai Zhongya Medical Health Wine Co., Ltd. (“Zhongya Medical”)	A company controlled by the same parent company

11.4 Related transactions

11.4.1 Related transactions of purchasing and selling goods and providing and receiving services

List of purchasing goods/receiving services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
God Horse Packing	Purchasing goods	71,912,485	82,426,894
Zhongya Medical	Purchasing goods	5,550,205	2,471,868
Wine Culture Museum	Purchasing goods	4,636,495	3,487,207

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Window of Wine City	Purchasing goods	296,652	243,761

List of selling goods/providing services

Unit: Yuan

Related parties	Related transactions	Amount incurred in this period	Amount incurred in prior period
Wine Culture Museum	Selling goods	7,663,340	4,186,529
Window of Wine City	Selling goods	5,002,597	3,712,629
Zhongya Medical	Selling goods	2,057,616	749,724
God Horse Packing	Selling goods	772,037	27,988

The price of transactions between this Group and the related parties are based on the negotiated price.

From January to June 2016, the goods purchased from the related parties by the Group accounted for 8.8% of the total purchases of the Group.

From January to June 2016, the goods sold by the Group to the related parties were lower than 1% of the total sales of the Group.

11.4.2 Related trusteeship/contracting and mandatory administration/outsourcing

Nil

11.4.3 Leasing with related parties

The Company as a leasee:

Unit: Yuan

Name of the lessor	Type of leased assets	Rent recognized in this period	Rent recognized in prior period
Changyu Group Company	Warehouse and office building	2,929,000	2,929,000

Pursuant to a lease contract dated January 1, 2012 signed between the Company and Changyu Group Company, starting from January 1, 2012, the Company may rent properties for operation purposes at a basic annual rental of RMB 5,858,000 Yuan, and the expired date is December 31, 2016. From January to June 2016, the rental expenses payable by this Group to Changyu Group Company amounted to RMB 2,929,000 Yuan.

11.4.4 Guarantee with related parties

Nil

11.4.5 Inter-bank borrowing and lending of related parties

Nil

11.4.6 Asset transfer and debt recombination of related parties

Nil

11.4.7 Other related transactions

Item	Note	Amount incurred in this period	Amount incurred in prior period
Trademark usage fee	(a)	46,273,367	52,568,600
Patent fee	(b)	25,000	25,000

The price of transactions between this Group and the related parties is based on the negotiated price.

(a) Trademark royalty contract

Pursuant to a trademark royalty contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use certain trademark of Changyu Group Company, which has been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Company's annual specific sales is payable to Changyu Group Company. The contract is effective until the expiry of the registration of the trademark. From January to June 2016, the patent fees paid to related parties by this Group accounted for 100% of the patent fees in this Group.

(b) Patent implementation license contract

Pursuant to a patent implementation license contract dated May 18, 1997 signed between the Company and Changyu Group Company, starting from September 18, 1997, the Company may use the patented technologies of Changyu Group Company. The annual patent usage fee payable by the Company to Changyu Group Company was RMB 50,000 Yuan. The contract was expired on December 20, 2005. The Company renewed the contract on August 20, 2006 for 10 years. The annual patent usage fee payable by the Company to Changyu Group Company is RMB 50,000 Yuan as before. From January to June 2016, the patent usage fee payable by the Company to Changyu Group Company amounted to RMB 25,000 Yuan. From January to June 2016, patent fees paid to related parties accounted for 100% of the patent fees in this Group.

11.5 Accounts receivable and payable of the related parties

11.5.1 Accounts receivable

Unit: Yuan

Item	Related parties	Ending balance		Beginning balance	
		Book	Bad debt	Book balance	Bad debt

		balance	provision		provision
Accounts receivable	Zhongya Medical			2,240,282	
Accounts receivable	God Horse Packing			169,300	
Accounts receivable	Window of Wine City			7,812	
Accounts receivable	Wine Culture Museum	15,256			

11.5.2 Accounts payable

Unit: Yuan

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	God Horse Packing	28,522,179	53,735,915
Accounts payable	Zhongya Medical	7,249,803	7,272,656
Accounts payable	Wine Culture Museum		1,928,504
Accounts payable	Window of Wine City	250,353	145,861
Other accounts payable	Changyu Group Company	46,095,769	86,001,287

12. Commitment and contingency

12.1 Significant commitment

Unit: Yuan

Item	Ending balance	Beginning balance
Capital commitment	990,490,000	1,580,280,000

12.2 Contingency

By the balance sheet date, the Group and the Company didn’t have any undisclosed contingency to be disclosed.

13. Matters after balance sheet

13.1 Important non-adjusting events

Nil

13.2 Profit distribution

Unit: Yuan

Profits or dividends to be distributed	342,732,000
Allocated profits or dividends approved to declare upon discussion	342,732,000

According to the decision of the Shareholders’ Meeting dated May 26, 2016, based on the issued share capital of 685,464,000 shares in 2015, the Company allocated RMB 5 Yuan in cash (including tax) for every 10 shares to all shareholders with the total cash dividends of RMB 342,732,000 Yuan. Such cash dividends were issued on July 7, 2016 and July 11, 2016 respectively.

14. Other important matters

Nil

15. Notes on major items in financial statements of the parent company

15.1 Accounts receivable

15.1.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Accounts receivable of significant single amount and single accrued bad debt provision										
Accounts receivable accrued bad debt provision by credit risk features										
Accounts receivable of insignificant single amount and single accrued bad debt provision	643,457	100 %			643,457	2,392,870	100 %			2,392,870
Total	643,457	100 %			643,457	2,392,870	100 %			2,392,870

15.1.2 Bad debt provision accrued, received or transferred back in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that received or transferred back in this period was RMB 0 Yuan.

15.1.3 Accounts receivable actually canceled after verification in this period

Nil

15.1.4 Accounts receivable collected by the borrower of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Relationship with the Company	Amount	Age	Percentage in total accounts receivable (%)
Yantai Changyu Wine Culture Museum	Other related party of	643,457	Within 1 year	100%

Co., Ltd.	the Company			
Total		643,457		100%

15.1.5 Accounts receivable derecognized due to transfer of financial assets

Nil

15.1.6 Accounts receivable transferred and included in assets and liabilities

Nil

15.2 Other accounts receivable

15.2.1 Other accounts receivable disclosed by type

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Accrued proportion		Amount	Proportion	Amount	Accrued proportion	
Other accounts receivable of significant single amount and single accrued bad debt provision	5,989,049,441	99.8%	7,199,521	0.1%	5,981,849,920	5,727,534,401	99.8%	7,199,521	0.1%	5,720,334,880
Other accounts receivable accrued bad debt provision by credit risk features										
Other accounts receivable of insignificant single amount and single accrued bad debt provision	14,920,904	0.2%			14,920,904	14,121,249	0.2%			14,121,249
Total	6,003,970,345	100.0%	7,199,521	0.1%	5,996,770,824	5,741,655,650	100 %	7,199,521	0.1%	5,734,456,129

Other accounts receivable of significant single amount and single accrued bad debt provision at the end of period:

Unit: Yuan

Other accounts receivable (by unit)	Ending balance			
	Other accounts receivable	Bad debt provision	Accrued proportion	Reason for accrual
Tiantong Securities Co., Ltd.	7,199,521	7,199,521	100%	This company is in bankruptcy liquidation

Total	7,199,521	7,199,521	--	--

15.2.2 Bad debt provision accrued, received or transferred back in this period

The bad debt provision accrued in this period was RMB 0 Yuan; and that received or transferred back in this period was RMB 0 Yuan.

15.2.3 Other accounts receivable classified by nature

Unit: Yuan

Nature of fund	Ending book balance	Beginning book balance
Accounts receivable of subsidiaries	5,986,392,825	5,732,654,756
Excise drawback		
Cash pledge and cash deposit receivable	645,374	103,834
Investment fund receivable	7,199,521	7,199,521
Other	9,732,625	1,697,539
Total	6,003,970,345	5,741,655,650

15.2.4 Other accounts receivable collected by the borrower of top 5 units ranked by the ending balance

Unit: Yuan

Unit	Nature of fund	Ending balance	Age	Percentage in the total ending balance of other accounts receivable	Ending balance of bad debt provision
R&D Company	Internal incomings and outgoings	2,195,328,502	Within 3 year	36.6%	
Chang’an Chateau	Internal incomings and outgoings	772,647,858	Within 2 year	12.9%	
Sales Company	Internal incomings and outgoings	662,301,514	Within 1 year	11.0%	
Shihezi Chateau	Internal incomings and outgoings	593,165,921	Within 2 year	9.9%	
Beijing Chateau	Internal incomings and outgoings	489,529,200	Within 2 year	8.2%	
Total	--	4,712,972,995	--	78.5%	

15.2.5 Accounts receivable related to government allowance

Nil

15.2.6 Other accounts receivable derecognized due to transfer of financial assets

Nil

15.2.7 Other accounts receivable transferred and included in assets and liabilities

Nil

15.3 Long-term equity investment

Unit: Yuan

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	1,423,725,152		1,423,725,152	1,423,725,152		1,423,725,152
Investment in associated enterprises and joint ventures						
Total	1,423,725,152		1,423,725,152	1,423,725,152		1,423,725,152

15.3.1 Investment in subsidiaries

Unit: Yuan

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment in this period	Ending balance of impairment provision
Xinjiang Tianzhu (a)	60,000,000			60,000,000		
Kylin Packaging	23,176,063			23,176,063		
Changyu Chateau (a)	28,968,100			28,968,100		
Pioneer International (c)	3,500,000			3,500,000		
Ningxia Growing	1,000,000			1,000,000		
National Wine	2,000,000			2,000,000		
Icewine Chateau (a)	30,440,500			30,440,500		
Beijing Chateau (a)	77,000,000			77,000,000		
Sales Company	7,200,000			7,200,000		
Langfang Sales (c)	100,000			100,000		
Langfang Castel (a)	19,835,730			19,835,730		
Wine Sales	4,500,000			4,500,000		
Shanghai Marketing (c)	300,000			300,000		
Beijing Marketing	850,000			850,000		

Invested unit	Beginning balance	Increase in this period	Decrease in this period	Ending balance	Provision for impairment in this period	Ending balance of impairment provision
Jingyang Sales (c)	100,000			100,000		
Jingyang Wine (c)	900,000			900,000		
Ningxia Wine	1,000,000			1,000,000		
Ningxia Chateau	2,000,000			2,000,000		
Tinlot Chateau (c)	80,000,000			80,000,000		
Shihezi Chateau	150,000,000			150,000,000		
Chang'an Chateau	20,000,000			20,000,000		
R&D Company	500,000,000			500,000,000		
Huanren Wine	11,000,000			11,000,000		
Francs Champs	209,706,634			209,706,634		
Atrio Group	190,148,125			190,148,125		
Total	1,423,725,152			1,423,725,152		

15.4 Operating income and operating cost

Unit: Yuan

Item	Amount incurred in this period		Amount incurred in prior period	
	Income	Cost	Income	Cost
Main business	648,652,597	495,598,413	681,772,322	541,216,825
Other business	6,646,403	5,714,186	7,280,907	7,169,011
Total	655,299,000	501,312,599	689,053,229	548,385,836

15.5 Investment income

Unit: Yuan

Item	Amount incurred in this period	Amount incurred in prior period
Income from long-term equity investment by cost method	683,891,453	46,770,286
Income from long-term equity investment by equity method		
Investment income from disposal of long-term equity investment		
Investment income of the financial assets measured at their fair values and the variation of which is recorded into the current		

profit and loss during the holding period		
Investment income gained from disposal of the financial assets measured at their fair values and the variation of which is recorded into the current profit and loss		
Investment income of held-to-maturity investment during the holding period		
Investment income of financial assets held for sale during the holding period		
Investment income gained from disposal of financial assets held for sale		
Gains generated from the remaining equity remeasured as per fair value after the loss of control		
Total	683,891,453	46,770,286

16. Supplementary materials

16.1 List of non-current profits/losses in this period

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets	-15,485	
Tax return, deduction and exemption approved beyond the authority or without formal approval document	12,116,257	
Government allowance included in the current profits/losses (excluding those closely related to the enterprise business and enjoyed in accordance with the unified standard quota or ration of the state)	6,029,617	
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, joint-run business and joint venture is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as		

Item	Amount	Remark
natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses, etc.		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		
Profits/losses on contingencies irrelated to the normal business of the Company		
Profits/losses on changes of fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and financial assets held for sale, excluding effective hedging operations relevant to the normal business of the Company		
Returns of provision for impairment of accounts receivable with single impairment test		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	3,459,361	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	5,046,224	
Influenced amount of minority shareholders' equity		
Total	16,543,526	--

16.2 Return on net assets and earnings per share

Profit incurred in this period	Weighted average return on net assets	Earnings per share	
		Basic EPS (Yuan/Share)	Diluted EPS (Yuan/Share)
Net profit attributable to common shareholders of the Company	8.78%	1.01	1.01
Net profit attributable to common shareholders of the Company deducting non-incidental profits/losses	8.58%	0.99	0.99

16.3 Accounting data difference under domestic and foreign accounting standard

16.3.1 Net profits & net assets difference disclosed in the financial report according to the international accounting standard and Chinese accounting standard

Unit: Yuan

	Net profits		Net assets	
	Amount incurred in this period	Amount incurred in prior period	Ending balance	Beginning balance
In accordance with the Chinese accounting standard	695,021,847	746,060,248	8,265,370,769	7,564,099,003
Item & amount adjusted in accordance with the international accounting standard:				
In accordance with the international accounting standard	695,021,847	746,060,248	8,265,370,769	7,564,099,003

X、Catalogue of Documents for Future Reference

1、2016 Semi-annual reports signed by the president;

2、Financial reports signed and affixed the seal by the president, financial administrator in charge of accounting and chief of accounting department;

3、The *Prospectus* and *Public Offering Announcement* for Stock B in 1997, the *Prospectus* and *The Shares' Change & Public Offering Announcement* for Stock A in 2000.

4、The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

Yantai Changyu Pioneer Wine Company Limited

Board of Directors

August 29th, 2016