



Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.

2017 Annual Report

April 2018

Section I Important Statements, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. (hereinafter referred to as the Company) hereby guarantee that the information presented in this report is free of any false records, misleading statements or material omissions, and shall Individually and together be legally liable for truthfulness, accuracy and completeness of its contents.

Mr. Wang Yao, responsible person for the Company, Mr. Cong Xuenian, responsible person for accounting work and Mr. Yin Qiuming, responsible person for the Company's financial affairs (Accounting Supervisor) have warranted that the financial statements in this report are true and complete.

All directors all attended the board meeting to deliberate this report.

The future plans and some other forward-looking statements mentioned in this report shall not be considered as virtual promises of the Company to investors. Therefore investors are kindly reminded to pay attention to possible investment risks.

In the annual report, the risks and countermeasures in the operation of the company are described in detail (see 9. Outlook for the Future Development of the Company in Section IV Performance Discussion and Analysis). Investors are kindly reminded to pay attention to possible investment risks.

The profit distribution plan approved by the board of directors: based on 1,506,988,000 shares, a cash dividend of RMB 25.50 will be distributed for every 10 existing shares held, 0 shares of Bonus shares (Tax inclusive), and reserves would not be converted into share capital.

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Definitions

Term	Reference	Definition
The company, this company, Yanghe Joint-Stock	Refer to	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.
Yanghe Group, Controlling shareholder	Refer to	Jiangsu Yanghe Group Co.,Ltd.
The current year, In the reporting period	Refer to	1 Jan. 2017 to 31 Dec. 2017
The report	Refer to	2017 Annual Report
Yuan, Ten thousand yuan,A hundred million yuan	Refer to	RMB 0.00, RMB 10,000,RMB 10,000,000.00
The shareholders' meeting, the board of directors, the board of supervisors	Refer to	The shareholders' general meeting, the board of directors and the board of supervisors of the Company
Articles of incorporation	Refer to	Articles of incorporation of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.
SSE	Refer to	Shenzhen Stock Exchange
SRC,CSRC	Refer to	China Securities Regulatory Commission
Jiangsu Suya, Suyajincheng, Accounting firm	Refer to	Jiangsu Suyajincheng CPA LLP
Blue Alliance	Refer to	Jiangsu Blue Alliance Joint-Stock Co., Ltd.
Blue Sky Trade	Refer to	Suqian Blue Sky Trade Co.,Ltd.
Blue Ocean Trade	Refer to	Suqian Blue Ocean Trade Co.,Ltd.

Section II Company Profile and Key Financial Results

1. Corporate Information

Stock abbreviation	Yanghe Joint-Stock	Stock code	002304
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	江苏洋河酒厂股份有限公司		
Abbr. of the Company name in Chinese	洋河股份		
Name of the Company in English (if any)	Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.		
Abbr. of the Company name in English (if any)	Yanghe		
Legal representative	Wang Yao		
Registered address	No.118 Middle Avenue, Yanghe Town, Suqian City, Jiangsu Province, China		
Postal code	223800		
Business address	No.118 Middle Avenue, Yanghe Town, Suqian City, Jiangsu Province, China		
Postal code	223800		
Company website	http://www.chinayanghe.com		
E-mail	yanghe002304@vip.163.com		

2. Contact us

	Company Secretary	Representative for Securities Affairs
Name	Cong Xuenian	Lu Hongzhen, Sun Dali
Address	No. 18, Feng Hui Avenue, Yuhua Economic Development Zone, Nanjing	
Tel.	025-52489218	025-52489218
Fax	025-52489218	025-52489218
E-mail	yanghe002304@vip.163.com	yanghe002304@vip.163.com

3. Information Disclosure and Place Where the Annual Report Is Kept

Newspaper designated by the Company for information disclosure	Securities Times, Shanghai Securities Times, China Securities Journal, Securities Daily
Website designated by the China Securities Regulatory Commission (CSRC) for the publication of the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report of the Company is kept	shareholder reading room, No.118 Middle Avenue, Yanghe Town, Suqian City, Jiangsu Province

4. Company Registration and Alteration

Organization code	9132000074557990XP
Changes in main business activities since the Company was listed (if any)	None
Changes of controlling shareholders of the Company (if any)	None

5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Jiangsu Suyajincheng CPA LLP
Business address of the accounting firm	22-23/F., Central International Plaza, NO.105-6 Zhongshan North Road, Nanjing.
Name of accountants for writing signature	Xu Xuzhen, Kan Baoyong

Sponsors engaged by the Company to continuously perform its supervisory function during the Reporting Period

☐ Applicable ☒ N/A

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period Reporting Period

☐ Applicable ☒ N/A

6. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies and correction of accounting errors

☐ Yes ☒ No

	2017	2016	YoY Change	2015
Operating revenues (RMB)	19,917,942,238.16	17,183,109,620.08	15.92%	16,052,444,099.28
Net profits attributable to shareholders of the Company (RMB)	6,627,169,959.16	5,827,168,870.88	13.73%	5,365,185,534.99
Net profits attributable to shareholders of the Company before non-recurring gains and losses (RMB)	6,136,386,923.71	5,406,580,095.74	13.50%	4,915,933,247.98
Net cash flows from operating activities (RMB)	6,883,169,799.31	7,405,044,600.62	-7.05%	5,836,355,328.67
Basic earnings per share	4.40	3.87	13.70%	3.56

(RMB/share)				
Diluted earnings per share (RMB/share)	4.40	3.87	13.70%	3.56
Weighted average ROE	24.08%	24.01%	0.07%	25.37%
	At the end of 2017	At the end of 2016	YoY Change	At the end of 2015
Total assets (RMB)	43,258,140,702.38	38,804,062,249.63	11.48%	33,860,320,967.06
Net assets attributable to shareholders of the Company (RMB)	29,515,040,285.72	26,052,771,070.00	13.29%	22,937,096,378.95

7. Differences in Accounting Data under Domestic and Overseas Accounting Standards

7.1. Differences in the net profits and net assets disclosed in the financial reports prepared under the international and China accounting standards

☐ Applicable ☒ N/A

No such differences for the Reporting Period.

7.2. Differences in the net profits and net assets disclosed in the financial reports prepared under the overseas and China accounting standards

☐ Applicable ☒ N/A

No such differences for the Reporting Period.

8. Key Financial Results by Quarter

Unit:RMB

	Q1	Q2	Q3	Q4
Operating revenues	7,588,577,705.68	3,941,913,368.50	5,347,834,958.10	3,039,616,205.88
Net profits attributable to shareholders of the Company	2,742,957,007.05	1,165,303,467.90	1,673,401,613.10	1,045,507,871.11
Net profits attributable to shareholders of the Company before non-recurring gains and losses	2,659,071,451.71	1,055,711,871.31	1,590,617,648.83	830,985,951.86
Net cash flows from operating activities	1,170,374,437.00	-294,040,969.09	3,413,052,676.10	2,593,783,655.30

Whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

☐ Yes ☒ No

9. Non-recurring Profits and Losses

√ Applicable □ N/A

Unit:RMB

Item	2017	2016	2015	Note
Profit or loss from disposal of non-current assets	-8,598,844.11	-5,823,628.96	975,736.62	
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	44,745,640.94	29,064,221.47	18,262,639.04	
Except for effectively hedging business related to normal business operations of the company, profit or loss arising from the change in the fair value of held-for-trading financial assets and liabilities, as well as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	90,627,738.02	128,763,897.76	448,386,160.59	Profit from the disposal of available-for-sale financial assets
Impairment provision reversal of the accounts receivable on which the impairment test is carried out separately	300,000.00	165,859.73		
Other non-operating income and expenditure except above-mentioned items	11,559,390.23	10,469,328.20	6,151,424.76	
Other profit and loss items that conform to the definition of non-recurring gains and losses	516,824,879.08	398,923,011.53	125,736,753.20	
Less: Corporate income tax	164,658,711.09	140,783,607.73	150,252,775.39	
Minority interests (after tax)	17,057.62	190,306.86	7,651.81	
Total	490,783,035.45	420,588,775.14	449,252,287.01	--

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

□ Applicable √ N/A

No such cases for the Reporting Period.

Section III Business Profile

1. Business Scope in the Reporting Period

Whether the Company needs to comply with the requirement disclosure of special industry.

No

The Company is mainly engaged in the production and sales of liquor. The production of liquor adopts solid-state fermentation, mainly including starter-making, brewing, stocking, packaging and so on. The sales of liquor mainly adopts two modes, namely distribution and retailing. During the reporting period, the company's primary business and business mode had not changed. According to the *Guidelines for the Industry Classification of Listed Companies (2012 Revision)* issued by CSRC, the Company belongs to C15 Manufacturing industry of liquor, beverages and refined tea.

The company is the national large-scale liquor production enterprise. Among the enterprises in the liquor industry, the Company is the only one that has two China' time-honored brands, the two famous Chinese liquor, namely Yanghe and Shuanggou. and the Company has six China' well-known trademarks. The leading products of the Company are a series of mellow liquor including Dream Blue, Yanghe Blue Classic, Shuanggou Zhenbaofang, Yanghe Daqu, Shuanggou Daqu. They have high brand awareness and reputation throughout the country.

During the reporting period, there was a new round of growth period in the liquor industry after the deep adjustment. The consumption of liquor market is obviously upgraded. High-end and secondary high-end Liquor showed the simultaneously rising of volume and price during the year. The concentration of the industry has accelerated significantly, and the famous liquor enterprises developed better. According to the disclosed liquor industry periodic report, the Company's revenue and profit ranked third in the liquor industry.

2. Significant Changes in the Main Assets

2.1 .Significant Changes in the main assets

Main assets	Reasons for any significant change
Equity assets	A decrease of 90.58% YOY for equity investment was mainly due to the reduction of capital of Dream Blue Haichuanhui (Shiyan) Trade Investment Co., Ltd., forming the business combination not involving enterprises under common control. An increase of 32.73% for available-for sale financial assets was mainly due to the increase of equity investment
Fixed assets	N/A
Intangible assets	N/A

Construction in progress	A fall 56.96%YOY was mainly due to the carry-forward to fixed assets that reach the using condition
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2.2 .Main Assets Overseas

☐ Applicable ☒ N/A

3. Analysis of Core Competitiveness

Whether the Company needs to comply with the requirement disclosure of special industry.

No

The Company has obvious advantages in natural environment, quality technology, brand influence, sales network and so on. Those are the Company's unique core competitiveness. The core competitiveness of the company has not changed during the reporting period.

3.1 .Natural Environment Advantage

The Company is based in Suqian, the capital of Chinese liquor with 'three rivers, two lakes and one wetland'. Suqian is one of the three famous wetland liquor producing areas in the world, enjoying equal popularity with the Scotch Whisky producing area and the French Cognac producing area. It is the only natural oxygen bar in Jiangsu province without acid rain. The long history and unique ecological environment provide a good source of water, soil and air for production of liquor and spirits. Especially the microorganism condition significantly benefits the production of liquor and spirits. The Yanghe brewing originated in the Sui and Tang Dynasties, flourished in the Ming and Qing Dynasties. It had been sold in Jianghuai area during the period of Yong Zheng of Qing Dynasty. It has a good reputation that 'Dainty taste derived from fortune spring and liquor ocean, which makes Yanghe rank first place in Jianghuai area'. Shuanggou alongside Yanghe has been praised as the origin of Chinese natural liquor by domestic and overseas experts due to the discovery of drunken ape fossils in Xiacaowan.

3.2 .Quality Advantage

Considering the diversification and individuation of consumption demand, the Company took the lead in breaking the traditional classification of liquor flavor. The Company classifies the liquor by taste and put emphasis on taste value. The Company strengthens the mellowness of liquor, puts forward the new style of the mellow liquor quality, and deeply meets the core demand of the target consumers. It successfully establishes the system framework of new production technology and mellowness mechanism of mellow liquor catering to market consumption. In June 2008, 'Mellowness' was first written into the national standard in *China Protected Geographical Indication Product- Yanghe Daqu* (Standard No. GB/T220406-2008).

3.3 .Talent Advantage

The Company has 26 National Liquor Tasting Committee members, 69 Provincial Liquor Tasting Committee members and 1845 technicians. The Company also has a number of national and provincial technical research and development platforms. The obvious advantage of technical talents provides technical support for the continuous improvement of the quality. Dream Blue and Mellow Sujiu, the representative products of mellow liquor, have won the national quality awards, such as National Best

Quality Award, Liquor and Spirits Design Award and National Liquor and Spirits Sensory Quality Award. In 2017, in the national liquor taster contest sponsored by China Alcoholic Drinks Association, the national liquor taster Zhu Fanggang from the Company, standing out from more than 120 contestants, ranked the first place in the contest. 3 prize-winners of the top 10 were from the Company. The Company has the most prize-winners in the Top 10 enterprises. It highlights the strong talent advantage of the Company again.

3.4 .Brand Advantage

The Company, as one of the eight old famous liquor enterprises, is the only one that has two China' time-honored brands, the two famous Chinese liquor, namely Yanghe and Shuanggou and the Company has six China' well-known trademarks, including Yanghe, Shuanggou, Yanghe Blue Classic, Zhenbaofang, Dream Blue, Su. The Company whose brand worth \$4.281 billion has been selected in 2017 Global Liquor Brand Value Top 50 and ranked third/second globally/in China by Brand Finance, a world-famous brand value research organization. In 2017, the Company whose brand worth RMB 35.526 billion ranked the top 100 in China's 500 Most Valuable Brands released by World Brand Lab. The Company also was listed in the Global Top 2000 World listed companies published by Forbes, the world finance and economics magazine. Dream Blue was selected as one of the top 10 brands in CCTV National Brand Plan.

3.5. Marketing Network Advantage

The Company has a sales and marketing team with the largest number of personnel, the latest concept and the strongest executive force in the industry. The Company has cooperated with more than 8000 distributors, has more than 30 thousand ground promotion employees, and continues to enhance the deep distribution mode. At present, the Company has the most powerful marketing network platform in the Chinese liquor industry. It has penetrated into every county and city throughout the country. High speed channel has been basically established, laying a solid foundation for market expansion and category extension in the future. At the same time, as a traditional enterprise, the Company has also insisted on exploring new marketing mode, and has made certain achievements in internet application innovation.

Section IV Performance Discussion and Analysis

1. Overview

In 2017, the Company made solid progress in all aspects of work according to laws and regulations such as Corporation Law, Securities Law, Articles of Incorporation, Rules Governing Listing of Stocks on Shenzhen Stock Exchange and Guidelines on standard operation of SME Board Listed Companies on Shenzhen Stock Exchange and achieved sustainable and healthy development. During the year, the Company achieved operating revenue of RMB 19.918 billion, up 15.92% from last year; and net profit attributable to shareholders of the listed company of RMB 6.627 billion, a 13.73% year-on-year increase.

During the reporting period, the Company carried out main tasks and performance including the following six aspects:

1.1 Focused on excellent execution and channel deepening to improve sales and marketing to a higher level with indomitable struggle attitude. Firstly, marketing was significantly enhanced through laying a solid foundation and storing potential energy. Core products' prices were steadily raised through precise positioning of marketing strategy and strictly execution and control. New breakthroughs of group purchase and attracting investment were achieved through taking further selected policy. Grabbing opportunity of consumption upgrade and accelerated volume-driven growth of Dream Blue improved marketing performance to a higher level. Secondly, focusing on resource and telling good stories to enhance brand building. "China Dream, Dream Blue" sounded the strongest voice at the New Year's Concert in the National Centre For The Performing Arts. Dream Blue obtained the naming right of Boao Forum and held auctions for dealership of "Dream Blue Handcraft Class" successfully. "Blue Dream Manual Class" was widely praised for "Excellent Quality and Creative Design". High-end brand connotation was manifested and brand influence was enhanced through a series of creative event marketing such as "CCTV National Brand Experience Day— state-run media into Yanghe", "Guyu Forum" and "Open Toupai Liquor Cellar Festival".

1.2 Focused on "Quality First", striving for benchmarking and making liquor quality better with painstaking craftsman's attitude. Firstly, "Quality First" made liquor quality better. Focusing on the overall requirements of "strengthening soft feeling and satisfaction" and the orientation of quality improvement, base liquor quality and soft degree were steadily enhanced through optimizing process parameters scientifically. Meanwhile, core product quality was overall upgraded through large-scale market research and multiple inferior-quality product selection, in order to improve consumer experience further. Secondly, deepening scientific research guided by technology. Among 5 categories 21 research projects, most achieved good results though comprehensive advance and priority breakthrough at difficult points. The Company positively participated in establishing industry standards and achieved the transformation from "guiding the company" to "leading the industry".

1.3 Focused on "San Xing jiu Hua", solidifying foundation, enhancing efficiency and improving management with unremitting effort. Firstly, focused on upper and lower linkage and exemplary role; issued and implemented "Sujiu Basic Law", which became the staff's basic code of conduct. The Company comprehensively optimized working standard and content related to employees. Execution

was further enhanced through deepening the movement and strengthening work-style construction. Secondly, linking work at selected spots with that in entire areas and stimulating vitality comprehensively. The Company insisted on the orientation of question and the core of rectifying and reforming, promoted long-term management and achieved sharp decline of recurrence rate of all types of problems. The Company pushed forward the progress of improvement projects to further improve operating efficiency and performance. Thirdly, "unity of knowledge and practice" and highlighting initiative. The Company pushed forward initiative management to a higher level through creating atmosphere, improving mechanism and optimizing environment. Meanwhile, as deepening "San Xing jiu Hua", the Company achieved the steady improvement of basic management.

1.4 Focused on service upgrade, precise development and enhancing supply-guarantee capacity with sustaining and high efficiency. Firstly, supply-guarantee capacity was enhanced during peak season. Linkage between production and sales was improved efficiently. The Company devoted to "internal enhancing efficiency and external synergy". Detailed programme smoothed the pace and overall arrangements. Accurate plan made inventory appropriate and smoothed production. Flexible scheduling boosted production and enhancing safeguarding capacity. Paying attention to improvement decreased cost, enhanced performance and smoothed production, which reduced cost of around RMB 10 million. Secondly, deepening projects brought about good results and the effect of supply chain management was significant. The Company carried out 7 research projects efficiently and positively pushed forward the supply chain management improvement project. Overall optimization process and innovative management mode improved the performance of economy and management.

1.5 Focused on concept interaction, multidimensional deepening and promoting culture construction with using the lion sheep effect. Firstly, further expand cultural atmosphere. Employees' pride and honor and team cohesion and centripetal forces were enhanced though organizing festival art performance at Spring Festival, Mid-autumn Festival, Lantern Festival and so on. Art performance told stories of craftsmen, promoted enterprise spirit and showed employees' style through the form of song, cross talk, comedy sketches, reciting and so on. Secondly, further enhancing cultural diffusion. The Company attracted more and more audiences and fans through online and offline activities based on "First Class" cultural construction standard. During the sealed ceremony, the Company elucidated and diffused the stories of craftsmen and their spirits and skills based on the theme of "Ingenuity, Dream Blue". The sales rose more than expected and public praise effect achieved the desired goal. Thirdly, further deepening interaction culture. During the year, the Company helped 300 needy workers and succored 133 poor families. Employees' sense of gain was enhanced by health examination and gratuitous treatment. Employees' skill level was improved by skill competitions and business contests. The Company further promoted the enterprise spirit and ingenuity through setting up typical examples of dedicated advanced employees.

1.6 Focused on thinking leading, taking a giant leap, improving new business to a higher level with development trend of creativity and Innovation. Firstly, focused on Innovation and steady upgrade of Internet transformation. The Phase I of Overall Marketing Project was successfully online on a trial basis. FFC and Eco-sphere Project over-fulfilled the annual sale quota. The Banquet Platform Project, internet business research and IT projects were further deepened. These work brought about significant data application effect, pushed forward the channel management optimization and lay a solid foundation for

accurate marketing control. The Company focused on “Guide Platform” and “Interactive Product”. These two business modules successfully bred “WeChat Business Project Team” and “Customer Management Project Team”. Secondly, steady improvement of capital operation with great concentration. The Company built Maotai-flavor liquor production and management platform and invested in a wine company whose comprehensive strength ranked No.2 in Chile. It laid a solid foundation for improving wine quality and the investment maintained a good income level for three consecutive years.

2. Analysis of Main Business

2.1. Overview

Same with the contents presented in “1.Overview” of this section

2.2. Revenues and Costs

2.2.1. Breakdown of Operating Revenues

Unit: RMB

	2017		2016		YoY Change(%)
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	
Total	19,917,942,238.16	100%	17,183,109,620.08	100%	15.92%
By business segment					
Alcoholic beverage	19,468,365,663.88	97.74%	16,782,694,581.25	97.67%	16.00%
Other	449,576,574.28	2.26%	400,415,038.83	2.33%	12.28%
By product					
Liquor	19,183,149,960.51	96.31%	16,499,265,778.30	96.02%	16.27%
Wine	285,215,703.37	1.43%	283,428,802.95	1.65%	0.63%
Other	449,576,574.28	2.26%	400,415,038.83	2.33%	12.28%
By geographical segment					
Jiangsu	10,630,640,220.89	53.37%	9,453,996,756.17	55.02%	12.45%
Outside Jiangsu	9,287,302,017.27	46.63%	7,729,112,863.91	44.98%	20.16%

2.2.2. Business Segment, Products or Geographical Segments Contributing over 10% of the Operating Revenues or Profits

√ Applicable □ N/A

Whether the Company needs to comply with disclosure requirements of special industry

No

Unit: RMB

	Operating Revenue	Operating costs	Gross profit margin	YoY change of operating revenue (%)	YoY change of operating costs (%)	YoY change of gross profit margin (%)
By business segment						
Alcoholic	19,468,365,663.8	6,285,763,095.9	67.71%	16.00%	7.87%	2.43%

beverage	8	7				
By product						
Liquor	19,183,149,960.51	6,152,292,657.65	67.93%	16.27%	7.78%	2.53%
By geographical segment						
Jiangsu	10,229,347,294.39	3,458,623,474.91	66.19%	11.18%	9.15%	0.63%
Outside Jiangsu	9,239,018,369.49	2,827,139,621.06	69.40%	21.86%	6.34%	4.47%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the current year is calculated based on adjusted statistical standards at the end of the Reporting Period

☐ Applicable ☒ N/A

2.2.3. Whether Revenue from Physical Sales is higher than Service Revenue

☒ Yes ☐ No

By business segment	Item	Unit	2017	2016	YoY Change (%)
Liquor	Sale volume	ton	215,950.8	198,198.83	8.96%
	Output volume	ton	220,136.14	204,470.02	7.66%
	Inventory	ton	27,308.53	23,123.19	18.10%
Wine	Sale volume	ton	5,212.34	5,158.93	1.04%
	Output volume	ton	5,283.01	5,038.31	4.86%
	Inventory	ton	334.01	263.34	26.84%

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

☐ Applicable ☒ N/A

2.2.4. Execution of Significant Sales Contracts in the Reporting Period

☐ Applicable ☒ N/A

2.2.5. Breakdown of Operating Costs

By business and product segment

Unit: RMB

By business segment	Item	2017		2016		YoY Change(%)
		Amount	As a percentage of operating costs(%)	Amount	As a percentage of operating costs(%)	
Alcoholic beverage		6,285,763,095.97	94.08%	5,827,106,186.48	93.94%	7.87%

Unit: RMB

By product segment	Item	2017		2016		YoY Change(%)
		Amount	As a percentage	Amount	As a percentage of	

			of operating costs(%)		operating costs(%)	
Alcoholic beverage	Raw materials	4,243,329,762.51	63.51%	3,453,636,775.70	55.68%	22.87%
Alcoholic beverage	Labor costs	541,519,432.79	8.11%	453,949,036.71	7.32%	19.29%
Alcoholic beverage	Fuels and energy	212,403,387.26	3.18%	164,151,899.51	2.65%	29.39%
Alcoholic beverage	manufacturing overhead	263,652,646.09	3.95%	242,199,036.34	3.90%	8.86%
Alcoholic beverage	Consumption tax and surcharges	1,024,857,867.32	15.34%	1,513,169,438.22	24.39%	-32.27%

Note:

The 32.27% decrease in consumption tax and surcharges was mainly due to the change of tax paying method from withholding and remitting tax by trustee to direct payment by the Company on September 1, 2017. In addition, the accounting method of consumption tax changed from the cost of production of manufacturing consignment to the taxes and surcharges generated from producing and selling liquor by the company.

2.2.6. Change in the Scope of the Consolidated Financial Statements for the Reporting Period

√ Yes □ No

① The subsidiary corporations newly consolidated in the current year

Name	Measure of gaining
ZYG TECHNOLOGY INVESTMENT LTD	Merger of enterprises under different controlling group
Guizhou Welcome Drink Stock Co.,Ltd	Merger of enterprises under different controlling group
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	Merger of enterprises under different controlling group
Suqian Sujiu Logistics Co.,Ltd.	Establishment
Jiangsu Blue Dream E-commerce Co.,Ltd.	Establishment
Jiangsu Yanghe Weiketang Network Technology Co.,Ltd.	Establishment
YANGHE CHILE SPA	Establishment

② The subsidiary corporations no longer consolidated in the current year

Name	Reason
Taizhou Mengye Trading Co.,Ltd.	Liquidation and cancellation
Siyang Yanghe Package Service Co.,Ltd.	Liquidation and cancellation

2.2.7. Major Changes in the Business, Products or Services in the Reporting Period

□ Applicable √ N/A

2.2.8. Main Customers and Suppliers

Sales to major customers of the Company

Total sales to top five customers (RMB)	687,470,036.10
Total sales to top five customers as a percentage of the total sales for the year(%)	3.45%
Total sales to related parties among top five customers as a percentage of the total sales for the year(%)	0.00%

Information on top five customers

No.	Customer	Sales amount(RMB)	As a percentage of the total sales for the year(%)
1	Customer A	287,461,741.63	1.44%
2	Customer B	114,647,993.35	0.58%
3	Customer C	113,743,537.26	0.57%
4	Customer D	86,293,109.97	0.43%
5	Customer E	85,323,653.89	0.43%
Total	--	687,470,036.10	3.45%

Other information on major customers

□ Applicable √ N/A

Major suppliers of the Company

Total sales to top five suppliers (RMB)	1,268,441,014.78
Total sales to top five suppliers as a percentage of the total sales for the year(%)	22.98%
Total sales to related parties among top five suppliers as a percentage of the total sales for the year(%)	0.00%

Information on top five suppliers

No.	Supplier	Purchases(RMB)	As a percentage of the total purchase for the year(%)
1	Supplier A	449,255,761.82	8.14%
2	Supplier B	249,120,685.48	4.51%
3	Supplier C	203,713,954.46	3.69%
4	Supplier D	186,513,439.98	3.38%
5	Supplier E	179,837,173.04	3.26%
Total	--	1,268,441,014.78	22.98%

Other information on major suppliers

□ Applicable √ N/A

2.3. Expense

Unit: RMB

	2017	2016	YoY Change(%)	Reason for any significant change
Selling and distribution expenses	2,387,447,107.05	1,869,001,821.53	27.74%	
General and Administrative expenses	1,532,148,106.93	1,582,435,251.45	-3.18%	
Finance costs	-33,912,331.47	-8,947,212.14	-279.03%	Increased interest income on deposit and decreased note discount expense in the current period

2.4. R&D input

√ Applicable □ N/A

In the Reporting Period, the Company continued to push forward technology research and development. The Company achieved significant results from twenty-one research projects in five areas. Through conducting a systematic research on healthy liquor in Health Liquor Theory System Project. Healthy functional substances in Yanghe Liquor have been found and some good results in health experience have been achieved. Beneficial Elements of Brewing By-product Project achieved deep utilization of fermented grains and this project was successfully selected for key research and development plan of Jiangsu Province. Solid State Fermentation of Fermented Grains Testing Project obtained industry standard approval and achieved the transformation from “guiding the company” to “leading the industry”. Meanwhile, focused on the overall requirements of “strengthening soft feeling and satisfaction” and the orientation of quality improvement, base liquor quality and soft degree were steadily enhanced through optimizing process parameters scientifically

Information about R&D input

	2017	2016	YoY Change(%)
Number of R&D personnel	348	355	-1.97%
R&D personnel as a percentage in total employees	2.32%	2.38%	-0.06%
R&D input(RMB)	37,807,634.80	36,735,345.28	2.92%
R&D personnel as a percentage in operating revenues	0.19%	0.21%	-0.02%
Capitalized R&D input(RMB)	12,062,387.60	10,339,739.27	16.66%
Capitalized R&D input percentage in total R&D input	31.90%	28.15%	3.75%

Reason for any significant YPY change in the percentage of the R&D input in the operating revenues

☐ Applicable ☒ N/A

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☐ Applicable ☒ N/A

2.5. Cash Flows

Unit: RMB

Item	2017	2016	YoY Change(%)
Subtotal of cash inflows from operating activities	24,139,022,765.44	22,990,557,358.58	5.00%
Subtotal of cash outflows due to operating activities	17,255,852,966.13	15,585,512,757.96	10.72%
Net cash flows from operating activities	6,883,169,799.31	7,405,044,600.62	-7.05%
Subtotal of cash inflows from investing activities	30,970,188,282.84	8,465,713,608.96	265.83%
Subtotal of cash outflows due to investing activities	35,131,210,561.81	14,430,046,744.26	143.46%
Net cash flows from investing activities	-4,161,022,278.97	-5,964,333,135.30	30.23%
Subtotal of cash outflows due to financing activities	3,417,116,090.61	3,697,079,125.01	-7.57%
Net cash flows from financing activities	-3,417,116,090.61	-3,697,079,125.01	7.57%
Net increase in cash and cash equivalent	-706,674,482.79	-2,251,169,180.44	68.61%

Explanation of why the data above varied significantly

☒ Applicable ☐ N/A

a. Mainly due to the increased cash received from returns on investment, cash inflows from investing activities increased 265.83% from last year.

b. Mainly due to the increased cash paid for investments, cash outflows due to investing activities increased 143.46% from last year.

c. Mainly due to more increased cash received from returns on investment than the increased cash paid for investments, net cash flows from investing activities increased 30.23% from last year.

d. Mainly due to the positive net cash flows from investing activities and net cash flows from financing activities as compared with last year, in cash and cash equivalent increased 68.61% from last year.

Explanation of main reasons leading to the material difference between net cash flows from operating activities during the Reporting Period and net profit for the year

☐ Applicable ☒ N/A

3. Analysis of Non-Core Business

√ Applicable □ N/A

Unit: RMB

	Amount	As a percentage of total profits(%)	Formation reasons	Sustainability
Investment income	623,953,064.97	7.05%	Holding and disposal of available-for-sale financial assets and financial management	No
Impairment losses	22,867,778.12	0.26%	Preparation of provision for goodwill impairments, bad debt of account receivables, depreciation of inventory	No
Non-operating income	19,822,054.76	0.22%	Mainly due to default fine, indemnity income etc.	No
Non-operating expense	8,340,532.81	0.09%	Expenditures for donations etc.	No
Other income	44,745,640.94	0.51%	Government subsidy	No

4.Assets and Liabilities

4.1 Material Change of Asset Items

Unit: RMB

	As at the end of 2017		As at the end of 2016		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	1,751,452,876.18	4.05%	2,456,627,358.97	6.33%	-2.28%	
Accounts receivable	8,485,382.83	0.02%	10,824,186.90	0.03%	-0.01%	
Inventories	12,861,503,434.11	29.73%	12,221,515,305.37	31.50%	-1.77%	
Long-term equity investments	1,980,046.94		21,029,470.42	0.05%	-0.05%	
Fixed assets	8,249,559,468.26	19.07%	7,970,035,119.29	20.54%	-1.47%	
Construction in progress	234,431,457.83	0.54%	544,670,924.38	1.40%	-0.86%	

Long-term borrowings	145,452.00		181,816.00			
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4.2 Assets and liabilities measured at fair value

☐ Applicable ☒ N/A

4.3 Restricted Asset Rights as of the end of this Reporting Period

There was letter of credit deposit of RMB 1.5 million in cash at bank and on hand. The right was restricted.

5. Investment Made

5.1. Total Investment Made

☒ Applicable ☐ N/A

Investment made in the Reporting Period(RMB)	Investment made in the prior year(RMB)	YoY Change
636,340,416.13	414,283,740.11	53.60%

5.2. Significant Equity Investment Made in the Reporting Period

☐ Applicable ☒ N/A

5.3. Significant Non-equity Investment ongoing in the Reporting Period

☐ Applicable ☒ N/A

5.4. Financial Assets at a Fair Value

☐ Applicable ☒ N/A

5.5. Use of Funds Raised

☐ Applicable ☒ N/A

No such cases in the Reporting Period

6. Sale of Major Assets and Equity Interests

6.1. Sale of Major Assets

☐ Applicable ☒ N/A

No such cases in the Reporting Period

6.2. Sale of Major Equity Interests

☐ Applicable ☒ N/A

7. Analysis of Major Subsidiaries

☒ Applicable ☐ N/A

Main subsidiaries and joint companies with an over 10% influence on the Company's net profit

Unit: RMB

Company name	Company type	Business scope	Registered capital	Total assets	Net assets	Operating Revenue	Operating profit	Net profit
Su Liquor Trade Group Limited by Share Ltd	Subsidiary	Wholesaling and retailing of prepackaged food	334,400,000.00	25,422,035,451.92	5,041,358,065.32	19,357,324,408.80	5,596,701,995.12	4,211,512,505.23
Jiangsu Shuanggou Distillery Stock Co.,Ltd.	Subsidiary	Production and sales of liquor and spirit	110,000,000.00	5,244,345,685.22	1,926,340,304.48	2,580,125,813.82	1,738,155,634.05	1,556,718,168.28
Jiangsu Yanghe Liquor Operation Management Co.,Ltd	Subsidiary	Wholesaling of prepackaged food	10,000,000.00	7,660,821,137.07	762,656,128.10	5,965,176,520.81	938,241,994.22	703,678,783.25
Jiangsu Shuanggou Liquor Operation Co.,Ltd	Subsidiary	Wholesaling and retailing of prepackaged food	5,000,000.00	435,914,615.18	405,141,576.73	1,754,610,976.83	523,104,041.91	392,049,948.52

Acquisition and disposal of subsidiaries during the Reporting Period

√ Applicable □ N/A

Subsidiary name	How subsidiary was acquired or disposed during the Reporting Period	Impact on overall operation and results(RMB)
ZYG TECHNOLOGY INVESTMENT LTD	Merger of enterprises under different controlling group	Tiny
Guizhou Welcome Drink Stock Co.,Ltd	Merger of enterprises under different controlling group	Tiny
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	Merger of enterprises under different controlling group	Tiny
Suqian Sujiu Logistics Co.,Ltd.	Establishment	Tiny
Jiangsu Blue Dream E-commerce Co.,Ltd.	Establishment	less
Jiangsu Yanghe Weiketang Network Technology Co.,Ltd.	Establishment	Tiny
YANGHE CHILE SPA	Establishment	Tiny
Taizhou Mengye Trading Co.,Ltd.	Canceled	Tiny
Siyang Yanghe Package Service Co.,Ltd.	Canceled	Tiny

8. Structured Bodies Controlled by the Company

☐ Applicable ☒ N/A

9. Outlook for the Future Development of the Company

9.1. Analysis of Industry Situation

First, accelerated development and rapid growth of liquor industry profit. In 2017, the revenue and profit of liquor industry continued to maintain the rapid growth benefited from mass consumption upgrade, consumption structure shift and so on. According to statistic data published by National Bureau of Statistics, during the year, liquor enterprise above designated size accumulatively achieved revenues of RMB 565.442 billion, up 14.42% from last year and accumulatively achieved total profit before tax of RMB 102.848 billion, up 35.79% from last year. In the future, liquor industry will benefit from consumption upgrade dividend further with simultaneously rising of volume and price of high-end and secondary high-end products and the rise of middle class.

Second, increased competition and gradual formation of liquor industry structure. In 2017, with the further intensification of liquor market, the industry comprehensively entered the era of squeeze competition. Famous liquor enterprises constantly strengthened the advantage of products, brand, channel and market. In each product segments – high-end, secondary high-end, mid-/low-end and small-packaged products, national brands or representative brands in different mainstream consumption price ranges have preliminarily emerged. The liquor industry development structure and competitive situation are being gradually formed and it will be further enhanced in the further market competition.

Third, divergence accelerated and strong players turn stronger. In 2017, the high-end and secondary high-end products benefited from the rapid growth of market size. It showed the prosperity of simultaneously rising of volume and price during the year. The growth rate of famous liquor enterprises that had great capacity of product, brand and channel was significantly higher than industry average level. With continued rising trend of merger and acquisition and industry concentration, famous liquor enterprises that had great advantage in capital, management, brand, talent and channel will win out in the liquor market competition and obtain more market share in the future.

9.2 The company's future development strategy and next operating plan

9.2.1 Further Development Strategy

In 2018, the Company continued to adhere to the strategy of “Wu Du Wu Mi”. The Company tried to be the most dedicated, professional and far-sighted liquor enterprise that understands, distills and sells liquor. The further development goal is to become a long-lasting leading enterprise across the life cycle constantly.

9.2.2 2018 Operating Plan

In 2018, the general work vision is to develop better, comprehensively push forward “One Six Eight” Strategy and strive for achieving more than 20% year-on-year growth of operating revenue.

The meaning of so-called “One Six Eight” Strategy as follows:

“One” refers to focusing on one growth target and striving for leading position in the industry.

“Six” refers to adhering to six principles: trend position principle, Internet plus principle, quality breakthrough principle, high-end breakthrough principle, foundation reinforcement principle and bottom

line improving principle.

“Eight” refers to pushing forward eight projects:

First, marketing innovation project. The Company pushes forward brand strategy innovation, focuses on content production and transmission mode, tells brand stories and improves brand value through big event and public benefit marketing. The Company pushes forward product innovation and brand upgrade of “Dream Blue” while constantly improving the product image of “Sea Blue” and “Sky Blue” and releasing the potential of “Shuanggou”. The Company enhances marketing strategy innovation and pushed forward the dynamic and precis control of marketing, thus creating powerful potential energy of marketing.

Second, intelligent manufacturing project. The Company proactively pushes forward “integration of informatization and industrialization” and establishes the intelligent brewery with brewing network as principal line. The brewery has clear hierarchy including equipment, craft, control, management, decision-making analysis and etc. It achieves integration of management and control and optimum distribution of resources. The Company establishes new generation intelligent brewery that achieves digitization, visualization, integration and intelligence, leading to intelligent production and manufacturing.

Third, technology research and development project. The Company comprehensively pushes forward the upgrade of six key projects including mellow quality, health examination, research topic selection and application of results. The Company endeavour to complete the six projects including the meaning of mellow health and database of microorganism, focuses on health mechanism analysis of mellow spirit and leads the healthy development direction of mellow spirit.

Fourth, management optimization project. The Company focuses on quality management and control, financial auditing and team building. The Company pushes forward making “San Xing jiu hua”, long-term management, new mode of financial management and control, management auditing and automation of mechanism practicable. The Company puts emphasis on high-level talent training, provides a competitive platform for the promotion, fully designs a scientific assessment scheme and establishes more flexible incentive mechanism of market-oriented employment.

Fifth, digital transformation project. The Company deepens the data business development, completes the establishment of front-end business scenario of community and user program and further deeps sustainable operation of micronet business. The Company focuses on application breakthrough and achieves Information exchange and sharing, focuses on transformation breakthrough and achieves preliminary digitization to support “Weiketang” ecosphere, focuses on system breakthrough and builds user-centered operation strategy mechanism with multidimensional convergence of product, content, scenario, community and data, focuses on program breakthrough and improves platform service ability of overall marketing program, thus achieving digital transformation.

Sixth, capital strategy project. The Company focuses on consumption upgrade and Internet transformation opportunity, pushes forward making core business, development business and financial investment program practicable, carries out research and analysis on unmanned retail business mode

and current situation and development trend of new retailing, conducts a study on “big health” and consumption upgrade, looks for new channel and operation mode, pushes forward resources sharing between Yanghe and Interested parties, thus establishing a multidimensional ecosphere of symbiosis, alternation and recycle.

Seventh, the Party building project. The Company takes the Thought on Socialism with Chinese Characteristics for a New Era as a guide to action, studies spirit of the 19th CPC National Congress thoroughly and firmly, comprehends the instructions and spirit of plenary session of provincial Party committee and municipal Party committee, disaggregates and implements spirit of the meeting of the Company's party committee, trade union and youth league. The Company improves the Party building project to higher level through pushing forward the Party building and talent organization based on today and future.

Eighth, culture-shaping project. The Company enhances characteristic culture construction, pushes forward Shuanggou sealed ceremony, ensures the improvement of reputation and marketing, improves sense of ritual and experience of “Open Toupai Liquor Cellar Festival” and enhances the brand reputation. The Company pushes forward making “Ten Thousand People Brand Plan” practicable, telling good stories of Sujiu based on reputation and characteristic, cultivating multilevel fans and absorbing more Sujiu fans. The Company creates the career development platform that helps employee growth and promotion, thus achieving the common growth and development of employees and the Company.

9.2.3 Potential Risk Faced

First, uncertain risk of macro-economy. Nowadays, the external International economic development environment is unpredictable. It may have some influence on sustainable medium-to-high speed growth of China economy. Once there is unpredictable or uncontrolled change of domestic macroeconomic environment or industrial policy, it brings some risks to the healthy development of liquor industry or liquor enterprises.

Second, increased market competition risk. Nowadays, liquor market starts a new round of market competition. Famous liquor enterprises recover rapid growth, optimize product structure, Intensify efforts to attract investment, enhance channel construction and further deepen terminal, leading to more tensive market competition. Meanwhile, liquor industry faces reconstruction of price, channel and service system. It poses a serious challenge to enterprises whether they can adapt to the new transformational change.

Third, risk of consumption concept change. Nowadays, in daily life, the preference of spirit consumers decreases and there is a diversified development trend of liquor consumption as consumers pay more attention to healthy life concept, promote moderate drinking and the age structure adjustment of liquor consumers. The liquor industry and liquor enterprises need to face a realistic problem that how they precisely grasp the consumption change and lead the future spirit consumption trend.

10. Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

10.1 In the Reporting Period

√ Applicable □ N/A

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
13 January 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 13 January 2017 on www.cninfo.com.cn (No: 2017-001)
1 March 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 1 March 2017 on www.cninfo.com.cn (No: 2017-002)
7 March 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 7 March 2017 on www.cninfo.com.cn (No: 2017-003)
10 March 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 10 March 2017 on www.cninfo.com.cn (No: 2017-004)
16 March 2017	Telephone communication	Institution	Log Sheet of Investor Relations Activities for 16 March 2017 on www.cninfo.com.cn (No: 2017-005)
2 May 2017	Telephone communication	Institution	Log Sheet of Investor Relations Activities for 2 May 2017 on www.cninfo.com.cn (No: 2017-006)
5 May 2017	Other	Other	Log Sheet of Investor Relations Activities for 5 May 2017 on www.cninfo.com.cn (No: 2017-007)
19 May 2017	Field survey	Other	Log Sheet of Investor Relations Activities for 19 May 2017 on www.cninfo.com.cn (No: 2017-008)
29 August 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 29 August 2017 on www.cninfo.com.cn (No: 2017-009)
29 August 2017	Telephone communication	Institution	Log Sheet of Investor Relations Activities for 29 August 2017 on www.cninfo.com.cn (No: 2017-010)

22 September 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 22 September 2017 on www.cninfo.com.cn (No: 2017-011)
7 November 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 7 November 2017 on www.cninfo.com.cn (No: 2017-012)
9 November 2017	Telephone communication	Institution	Log Sheet of Investor Relations Activities for 9 November 2017 on www.cninfo.com.cn (No: 2017-013)
25 December 2017	Field survey	Institution	Log Sheet of Investor Relations Activities for 25 December 2017 on www.cninfo.com.cn (No: 2017-014)

Section V Significant Events

1.Profit Distribution and Converting Capital Reserves into Share Capital for Common Shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in the Reporting Period

☐ Applicable ☒ N/A

On May 19, 2017, the Company held 2016 annual shareholders' meeting, and the plan for profit distribution for 2016 was deliberated and approved by this meeting. Plan for profit distribution for 2016: Based on its total of 1506.988 million shares as at 31 December 2016, the company distributed a cash dividend of RMB 21 (tax inclusive) per 10 shares to all shareholders. The total cash dividend is RMB 3164.6748 million (including tax). The book closure day was 15 June 2016 and the ex-right & ex-dividend day 16 June 2016.

A special statement of the policy of cash dividends	
Whether it meets the requirements of the articles of incorporation or the resolution of shareholders' meeting.	Yes
Whether the standard and proportion of dividends are clear.	Yes
Whether the relevant decision-making process and systems are complete.	Yes
Whether independent directors perform their duties and play their due role.	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and appeals and whether their legitimate rights and interests have been adequately protected.	Yes
Whether the conditions and procedures are compliant and transparent if the cash dividend policy is adjusted or changed.	The company's cash dividend policy has not been adjusted or changed.

Plans (or preliminary plans) for profit distribution and converting capital reserves into share capital for common shareholders for the recent three years (including the Reporting Period) are as following:

Preliminary plan for profit distribution for 2017: Based on its total of 1506.988 million shares as at 31 December 2017, the company is to distribute a cash dividend of RMB 25.5 (tax inclusive) per 10 shares to all shareholders. The total cash dividend is RMB 3842.8194 million (including tax).

Plan for profit distribution for 2016: Based on its total of 1506.988 million shares as at 31 December 2016, the company distributed a cash dividend of RMB 21 (tax inclusive) per 10 shares to all shareholders. The total cash dividend is RMB 3164.6748 million (including tax). The book closure day was 15 June 2016 and the ex-right & ex-dividend day was 16 June 2016.

Plan for profit distribution for 2015: Based on its total of 1506.988 million shares as at 31 December 2015, the company distributed a cash dividend of RMB 18 (tax inclusive) per 10 shares to all shareholders. The total cash dividend is RMB 2712.584 million (including tax). The book closure day was 16 June 2015 and the ex-right & ex-dividend day was 17 June 2015.

Cash dividend distribution over the recent three years (including the Reporting Period)

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders in the consolidated statement in the year	Ratio to net profit attributable to common shareholders in the consolidated statement in the year	Cash dividends in other forms	Ratio of cash dividends in other forms
2017	3,842,819,400.00	6,627,169,959.16	57.99%	0.00	0.00%
2016	3,164,674,800.00	5,827,168,870.88	54.31%	0.00	0.00%
2015	2,712,578,400.00	5,365,185,534.99	50.56%	0.00	0.00%

The Company made a profit in the Reporting Period and the profit distributed to common shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preliminary plan for cash dividend distribution to its common shareholders

☐ Applicable ☒ N/A

2.Preliminary Plan for Profit Distribution and Converting Capital Reserves into Share Capital for the Reporting Period

☒ Applicable ☐ N/A

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	25.50
Additional shares converted from capital reserves for every 10 shares (share)	0
Total shares as the basis for the preliminary plan for profit distribution	1,506,988,000

(share)	
Total cash dividends (RMB) (tax included)	3,842,819,400.00
Distributable profit (RMB)	18,737,460,273.68
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividend policy	
The development stage of the company is mature and the Company has no major fund expenditure arrangement. When the profit distribution is carried out, the proportion of cash dividends in this profit distribution should at least reach 80%.	
Details about the preliminary plan for profit distribution and converting capital reserves into share capital	
As audited by Jiangsu Suyajincheng CPA LLP, the Company realized a net profit of RMB 5,686,271,702.98 for 2017 (consolidated statements attributable to shareholders of the parent company net profit of RMB 6,627,169,959.16). It provided RMB0 as statutory surplus reserves. Plus undistributed profit at the beginning of the year of RMB16,215,863,370.70 and minus the distributed profit of RMB3,164,674,800, the actual distributable profit would be RMB18,737,460,273.68. In line with both the long-term development needs of the company and the principle of giving appropriate returns to shareholders, based on its total of 150.699 million shares as at 31 December 2017, the company is to distribute a cash dividend of RMB 25.5 (tax inclusive) per 10 shares to all shareholders. The total cash dividend is RMB 3,842,819,400 (including tax). The remaining undistributed profit shall be carried forward for future distribution.	

3. Performance of Undertakings

3.1. Undertakings of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers Fulfilled in the Reporting Period or ongoing at the Period-end

√ Applicable □ N/A

Undertaking	Undertaking giver	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Stock reform						

undertaking						
Undertaking made in the report of acquisition or change of interest						
Undertaking made in the reorganization of assets						
Undertakings given in time of IPO or refinancing	Jiangsu Yanghe Group Co.,Ltd.	Interbank competition, related transaction and capital occupation	1. The commitment to avoid competition in the industry: (1) At present, the company has not engaged in the business of competing with the joint stock company. The company is committed to maintaining the existing business structure and does not directly or indirectly operate any business that competes with the actual operation of the joint stock company or may constitute a competition, or a subsidiary or subsidiary enterprise that is engaged in the above business. (2) If the company violates the above commitments, the joint stock company has the right to require the company	2009.08.26	Long-standing	There has been no violation of this undertaking.

			<p>to immediately terminate its business competition and to compensate for the economic losses caused to the joint stock company. At the same time, the company should pay liquidated damages to the joint stock company for RMB 10 million.</p> <p>(3) The company has committed itself to the legitimate rights and interests of the shareholders of joint-stock companies, other shareholders of joint-stock companies and the creditors of joint-stock companies without the use of their holding shareholder status in the joint stock company.</p> <p>(4) This undertaking shall enter into force on the date of signing, and shall not be revoked without the consent of the stock company.</p> <p>2. The commitment to reduce the related transactions: the company will strictly</p>			
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			<p>follow the requirements of the relevant laws as Corporation Law, Securities Law and Code of Corporate Governance for Listed Companies, and further reduce and strictly standardize the various related transactions between the company and the joint stock companies, so as to ensure that the controlling shareholders and the actual control are not used. The status of making a person damages the interests of the shareholders of a joint stock company and other shareholders and does not occur in the case of new share holding companies.</p>			
	<p>Suqian Blue Sky Trade Co.,Ltd. , Suqian Blue Ocean Trade Co.,Ltd.</p>	Share reduction	<p>After a year of Stock trading in stock exchange, the shares of the issuer will not exceed 25% of the total number of shares held by the issuer, and the issuer's shares and changes in the shares are declared to the issuer in a</p>	2009.08.26	2009.08.26-2017.11.23	<p>This undertaking has expired and there has been no violation of this undertaking.</p>

			timely manner.			
	Suqian Blue Sky Trade Co.,Ltd. , Suqian Blue Ocean Trade Co.,Ltd.	Interbank competition, related transaction s and capital occupation	<p>The commitment to avoid competition in the industry:</p> <p>1. The company is mainly engaged in investment management and does not operate the same or associated business with the issuer. The company will not engage in the business of the same or associated business with the issuer, without prejudice to the interests of the issuer, nor from the issuer for unfair interests.</p> <p>2. If the company violates the above commitment, the issuer has the right to claim compensation for the economic loss resulting from the issuer, and to pay a liquidated penalty of RMB 5 million, and the right to purchase the business item at the market price of the business item or the establishment of a cost price (which is the principle of the lowest value).3. This undertaking shall enter into force on the date of signing,</p>	2009.08.26	2009.08.26-2017.11.23	This undertaking has expired and there has been no violation of this undertaking.

			and shall not be revoked without the consent of the issuer.			
	Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Share reduction	After a year of trading in the stock exchange, the shares of the issuer will not exceed 25% of the total number of shares held by the issuer, and the issuer's shares and changes in the shares are declared to the issuer in a timely manner.	2017.11.23	Long-standing	There has been no violation of this undertaking.
	Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Interbank competition, related transactions and capital occupation	The commitment to avoid competition in the industry: 1. The company is mainly engaged in investment management and does not operate the same or associated business with the issuer. The company will not engage in the business of the same or associated business with the issuer, without prejudice to the interests of the issuer, nor from the issuer for unfair interests. 2. If the company violates the above commitment, the issuer has the right to claim compensation for the	2017.11.23	Long-standing	There has been no violation of this undertaking.

			<p>economic loss resulting from the issuer, and to pay a liquidated penalty of RMB 5 million, and the right to purchase the business item at the market price of the business item or the establishment of a cost price (which is the principle of the lowest value).</p> <p>3. This undertaking shall enter into force on the date of signing, and shall not be revoked without the consent of the issuer.</p>			
	<p>Zhu Guangsheng, Cong Xuenian</p>	<p>Other undertaking</p>	<p>Shareholders of Blue Sky Trade, as directors, supervisors and senior managers, made the commitment:</p> <p>1. During the tenure of the issuer, Blue Sky Trade equity transferred annually shall not exceed 25% of the total number of shares held by Blue Sky Trade.</p> <p>2. If I leave the issuer, I will not transfer the shares of Blue Sky Trade that I have held within six months after my departure.</p>	<p>2009.08.26</p>	<p>2009.08.26-2017.11.23</p>	<p>This undertaking has expired and there has been no violation of this undertaking.</p>

			3. If I leave from the issuer, the number of Blue Sky transferred shares trade within twelve months after six months of departure does not exceed 50% of the total share of Blue Sky Trade.			
	Zhong Yuye, Feng Pantai	Other undertaking	<p>Shareholders of Blue Ocean Trade, as directors, supervisors and senior managers, made the commitment:</p> <p>1. During the tenure of the issuer, Blue Ocean Trade equity transferred annually shall not exceed 25% of the total number of shares held by .Blue Ocean Trade</p> <p>2. If I leave the issuer, I will not transfer the shares of Blue Ocean Trade that I have held within six months after my departure.</p> <p>3. If I leave from the issuer, the number of Blue Ocean transferred shares trade within twelve months after six months of departure does not exceed 50% of the total share of Blue Ocean Trade.</p>	2009.08.26	2009.08.26-2017.11.23	This undertaking has expired and there has been no violation of this undertaking.

	Zhong Yuye, Feng Pantai, Cong Xuenian	Other undertaking	<p>Shareholders of Blue Alliance, as directors, supervisors and senior managers, made the commitment:</p> <p>1. During the tenure of the issuer, Blue Alliance equity transferred annually shall not exceed 25% of the total number of shares held by Blue Alliance.</p> <p>2. If I leave the issuer, I will not transfer the shares of Blue Alliance that I have held within six months after my departure.</p> <p>3. If I leave from the issuer, the number of Blue Alliance transferred shares trade within twelve months after six months of departure does not exceed 50% of the total share of Blue Alliance.</p>	2017.11.23	Long-standing	There has been no violation of this undertaking.
Equity incentive commitment						
Equity incentive undertaking	Jiangsu Yanghe Group Co.,Ltd., Zhong Yuye, Feng Pantai,	Share reduction	<p>1. From January 15, 2016 to January 15, 2017, it does not reduce the shares held by any company in any way.</p> <p>2. If the above</p>	2016. 01.15	2016.01.15-2017.01.15	There has been no violation of this undertaking.

	Cong Xuenian,Zhou Xinhui,Zheng Bujun		undertakings are violated, all proceeds from the reduction of shares shall be owned by the company.			
Whether the undertaking is fulfilled on time	Yes					
Specific reasons for failing to fulfill any undertaking and plan for the next step	N/A					

3.2. Where any Earnings Forecast was Made for any of the Company's Assets or Projects and the Reporting Period is still within the Forecast Period, the Company Shall Explain Whether the Performance of the Asset or Project Reaches the Earnings Forecast and Why

☐ Applicable ☒ N/A

4.Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

5.Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (If Any) Regarding the "Non-standard Audit Opinion" for the Reporting Period

☐ Applicable ☒ N/A

6.Reason for Changes in Accounting Policies, Accounting Estimates and Accounting Methods as Compared to the Financial Report for the Prior Year

☒ Applicable ☐ N/A

In 2017, the Ministry of Finance issued *The Accounting Standards for Enterprises No.42-*

Non-current assets held for sale, disposal group and termination of operation. It has been implemented since 28 May 2017. The non-current assets, disposal group and termination of operation existing in the implement date are treated by prospective application.

In 2017, the Ministry of Finance revised *The Accounting Standards for Enterprises No. 16-Government Grants*. Since 12 June 2017, the government grants existing in 1 January have been treated by prospective application. The recent government grants from 1 January 2017 to the implementation date are adjusted according to the revised standard.

In 2017, the Ministry of Finance issued *Notice of the Ministry of Finance on Revising the format of general corporate financial statements*. It revises the formation of general corporate financial statements, which is applicable for financial statements of fiscal year 2017 and subsequent periods.

The above changes in significant accounting policies were approved by sixth session of the third meeting of the board of directors. The adjustment was made by the Company based on requirements of the above standards and notices. The impact of items and amounts in financial report stated as follows:

Content and reason of changes in accounting policies	Name of affected report items	Affected amount in the current period	Affected amount in the same period last year
(1) Since 1 January 2017, the government grants related to the Company's daily activities has been adjusted from "Non-operating income" to "Other income". Comparative data was not adjusted.	Non-operating income	-44,745,640.94	N/A
	Other income	44,745,640.94	
(2) Disposal gains and losses from assets originally listed in "Non-operating income" and "Non-operating expenses" were reclassified to the new item "Gains from disposable assets" in the income statement. Comparative data was adjusted.	Non-operating income	-43,724.37	-727,962.06
	Non-operating expenses	-8,642,568.48	-6,551,591.02
	Gains from disposable assets	-8,598,844.11	-5,823,628.96

7.Reason for Retrospective Restatement of Major Accounting Errors during the Reporting Period

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

8.Reason for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year

☒ Applicable ☐ N/A

Newly incorporated subsidiaries in this period

Name	Acquisition mode
ZYG TECHNOLOGY INVESTMENT LTD	Merger of enterprises under different controlling group
Guizhou Welcome Drink Stock Co.,Ltd	Merger of enterprises under different controlling group
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	Merger of enterprises under different controlling group
Suqian Sujiu Logistics Co.,Ltd.	Establishment
Jiangsu Blue Dream E-commerce Co.,Ltd.	Establishment
Jiangsu Yanghe Weiketang Network Technology Co.,Ltd.	Establishment
YANGHE CHILE SPA	Establishment

Subsidiaries that is no longer included in the consolidated range from this period

Name	Reasons for not incorporating the scope of the merger
Taizhou Mengye Trading Co.,Ltd.	Liquidation and cancellation
Siyang Yanghe Package Service Co.,Ltd.	Liquidation and cancellation

9.Engagement and Disengagement of CPAs Firm

CPAs firm at present

Name of the domestic CPAs firm	Jiangsu Suyajincheng CPA LLP
The Company's payment for the domestic CPAs firm (RMB'0,000)	180
Consecutive years of the audit service provided by the domestic CPAs firm	11
Names of the certified public accountants from the domestic CPAs firm	Xu Xuzhen, Kan Baoyong

Consecutive years of the audit service provided by the certified public accountants	Xu Xuzhen(4years), Kan Baoyong(1 year)
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Whether the CPAs firm was changed in the current period

☐ Yes ☒ No

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

☒ Applicable ☐ N/A

The Company appointed Jiangsu Suyajincheng CPA LLP as the internal control auditor for this year. The remuneration in total paid by the Company to Jiangsu Suyajincheng CPA LLP for its audit of the Company's financial report and internal control conditions for 2017 was RMB530 thousand.

10.Possibility of Listing Suspension and Termination after Disclosure of this Annual Report

☐ Applicable ☒ N/A

11.Bankruptcy and Reorganization

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

12.Material Litigation and Arbitration

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

13.Punishments and Rectifications

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

14.Credit Conditions of the Company as well as Its Controlling Shareholder and Actual Controller

☐ Applicable ☒ N/A

15.Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or Other Incentive Measures for Employees

☐ Applicable ☒ N/A

16. Significant Related-Party Transactions

16.1. Related-party Transactions Arising from Routine Operation

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16.2. Related-party Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16.3. Related-party Transitions Arising from Joint Investments in External Parties

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16.4. Credits and Liabilities with Related Parties

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16.5. Other Significant Related-party Transactions

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17. Significant Contracts and Their Execution

17.1. Trusteeship, Contracting and Leasing

17.1.1. Trusteeship

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.1.2. Contracting

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.1.3. Leasing

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.2. Major Guarantees

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.3. Entrusted Cash Asset Management

17.3.1. Entrust assets management

☒ Applicable ☐ N/A

Entrust assets in the Reporting Period.

Unit: RMB0, 000

Product type	Source of entrusted assets	Amount	Undue amount at the end of 2017	Overdue outstanding amount
Bank finance	Equity Fund	717,588.63	717,588.63	0
Trust finance	Equity Fund	677,466	677,466	0
Broker finance	Equity Fund	60,000	60,000	0
Other	Equity Fund	96,000	35,000	0
Total		1,551,054.63	1,490,054.63	0

Information about significant amount of individual entrust finance or high-risk entrust finance with principle unguaranteed and poor liquidity.

√ Applicable □ N/A

Unit: RMB0,000

Name of trustee	Trust type	Product type	Amount	Source of funding	Commencement date	Termination date	Funds allocation	Method of remuneration	Reference earnings (if applicable)	Actual profit & loss for the period	Actual principal amount recovered for the period	Amount reserved for impairment (if applicable)	Whether it goes through statutory procedures	Whether there will be entrust finance plans in the future	Summary and reference (if applicable)
Avic Trust Co., Ltd.	Trust	Avic Trust-Tainxin No.98 Collective Fund Trust Plan	10,000	Equity Fund	28 April 2016	28 April 2018	Subscribing trust plan or transferring trust usufruct held by beneficiary under the trust plan managed by trust company. Idle fund is operated	Cash	7.50%	1,500	750.00	0	Yes	Yes	

							in the form of deposit in bank										
Xingye International Fiduciary Co., Ltd.	Trust	Xingye Trust Yuan ding No.3 Collective Fund Trust Plan	20,000	Equity Fund	7 November 2016	7 May 2018	Subscribing insurance funds with 1% of subscription of cash asset, fixed-income assets, banking credit assets, transferred asset in register transfer center, product with high liquidity and standardized underlying assets.	Cash	5.30%	1,468.96	930.44	930.44		0	Yes	Yes	
Western Trust Co., Ltd.	Trust	Western Trust-Evergrande Guanghe Receivable Claim Collective	10,000	Equity Fund	15 November 2016	15 August 2018	Used for Zhengzhou Evergrande Feicuihuating Project development and construct	Cash	7.50%	1,310.96	750.00	750.00		0	Yes	Yes	

		Fund Trust Plan				ion										
West ern Trust Co.,L td.	Trus t	Wester nTrust- Sunshi ne City Jade Beauty Bay Receiv able Claim Collecti ve Fund Trust Plan	15,0 00	Equit y Fund	10 Marc h 2017	10 Dec emb er 201 8	Taiyuan New Southern City Real Estate Develop ment Co.,Ltd. will use the fund for develop ment and construct ion Emerald Bay Project Phrase II	Ca sh	7.0 0%	1,84 1.1	822. 74	822. 74	0	Yes	Yes	
Ping an Trust Co.,L td.	Trus t	Pingan Fortun e-Hong taiNo.1 89Colle ctive Fund Trust Plan	7,00 0	Equit y Fund	10 Octo ber 2017	10 Mar ch 201 9	Used for offering working capital loans to Jiangsu Jintan Chenlin Economi c Technolo gy Develop ment Co.,Ltd.	Ca sh	6.0 0%	840	0	0	0	Yes	Yes	
West ern Trust Co.,L td.	Trus t	Wester nTrust- HNA Industr y No.3 Collecti ve	20,0 00	Equit y Fund	1 April 2017	1 July 201 8	Used for capital increase of HNA Industry Group and	Ca sh	7.0 0%	1,74 9.04	1,00 8.77	1,00 8.77	0	Yes	Yes	

		Fund Trust Plan					working capital supplement of HNA Industry									
Xingye International Fiduciary Co., Ltd.	Trust	Xingye Trust Yuan ding No.3 Collective Fund Trust Plan	10,000	Equity Fund	5 April 2017	8 July 2018	Used for subscribing insurance funds with 1% of subscription of cash asset, fixed-income assets, banking credit assets. transferred asset in register transfer center, product with high liquidity and underlying assets	Cash	5.25%	528.13	261.42	261.42		0	Yes	Yes
Western Trust Co., Ltd.	Trust	Western Trust-HNA Investment No.3 Collective Fund Trust	6,000	Equity Fund	9 May 2017	9 August 2018	Used for capital increase of HNA Investment Holdings	Cash	6.90%	518.35		00		0	Yes	Yes

		Plan														
Shanghai International Xintuo Trade Company	Trust	Shanghai Xintuo-Road King Creditors' Investment	10,000	Equity Fund	12 May 2017	12 May 2019	Used for the fellow-up development and construction of Road King Lanshan Project Phase V and Phase VI. The idle funds can be used to invest deposit in bank, Cash Fengli and Ruby No.1 Seven-day Product	Cash	5.90%	1,180	0	0	0	0	Yes	Yes
Zhongrong International Trust Co., Ltd.	Trust	Zhongrong Trust—Guarantee-assistant Fund No.190 Collective Fund Trust	15,000	Equity Fund	23 June 2017	23 June 2019	Used for subscribing financial investment products or other projects permitted by the laws and	Cash	7.40%	2,220	0	0	0	0	Yes	Yes

		Plan					regulations such as deposit in bank, money market fund and corporate bonds									
Zhongrong International Trust Co., Ltd.	Trust	Zhongrong Trust-T he Glory of the World No.26 Collective Fund Trust Plan	10,000	Equity Fund	30 June 2017	30 June 2019	RMB 12.8282 million was used for gaining 49% equity of Dasheng Group Shandong Property Co., Ltd. The surplus funds deducted related expenses and credit insurance fund flowed into project company as a shareholder loan	Cash	7.60%	1,520	0	0	0	Yes	Yes	
Western Trust	Trust	Western Trust-Evergreen	10,000	Equity Fund	5 July 2017	5 October	Capital increase for	Cash	7.40%	1,666.52	342.63	342.63	0	Yes	Yes	

Co.,Ltd.		ande Enping Equity Invest ment Collecti ve Fund Trust Plan				201 9	Evergran de Real Estate Group Enping Co.,Ltd. and construct ion of Evergran de Spring Cpaital Residenti al Project Phase III and Phase IV									
Avic Trust Co.,Ltd.	Trus t	Avic Trust.A pocaly pse No.556 Tianch engjufu Invest ment Fund	13,0 00	Equit y Fund	30 Augu st 2017	29 Augu st 201 8	Deposit in bank, Bond reverse repurcha se, money market fund, bond fund and other fixed-inc ome products with high security and permitted by the laws and regulatio ns	Ca sh	7.0 0%	907. 51	0 0	0 0	0 Yes	Yes		
West ern Trust Co.,Ltd.	Trus t	Wester Trust -TAN DE	12,0 00	Equit y Fund	11 Sept emb er	11 Sep tem ber	Used for develop ment and construct	Ca sh	6.8 0%	1,63 2	0 0	0 0	0 Yes	Yes		

td.		(Phase V) Collective Fund Trust Plan			2017	2019	ion of Qujiangxi angdu Block C Project by Xi'an Tiandiyu an Real Estate Develop ment Co., Ltd. and replacem ent of external financing									
China Tourism International Fiduciary Investment Co., Ltd.	Trust	China Tourism International Trust-Z hixin No.374 Evergrande Nanjing Feicuihu uating Collective Fund Trust Plan	10,000	Equity Fund	14 September 2017	14 September 2018	Used for development and construct ion of Evergrande Nanjing Feicuihu ating Project and repaying the financial institution borrowing	Cash	7.50%	750	189.14	189.14	0	Yes	Yes	
Shaanxi International Trust Co., Ltd.	Trust	Shaanxi International Trust- Wuxi Railway Station	10,000	Equity Fund	27 September 2017	27 September 2019	Used for development and construct ion of Tainyu Garden Residential Project	Cash	7.60%	1,520	181.56	181.56	0	Yes	Yes	

		North Square A Block Project Loan Collective Fund Trust Plan					Phase I and Phase II 3-7# Building in Wuxi Railway Station North Square A Block in Liangxi Direct, Wuxi City by Wuxi Shimao Real Estate Development and Construction Co.,Ltd									
Shanghai International Xintuo Trade Company	Trust	Shanghai Xintuo-HAILIANG GROUP Creditors' Investment No.2	10,000	Equity Fund	19 October 2017	19 October 2018	Used for working capital supplement of Ningbo Zhedao Investment Holdings Co.,Ltd. Idle funds can be used for investment in deposit in bank, Cash Fengli	Cash	6.20%	620	0	0	0	Yes	Yes	

						and ruby series product issued by Shanghai International Xintuo Trade Company										
China Tourism International Trust-Fiduciary Investment Co.,Ltd.	China Tourism International Trust-Zhixin No.358 Zhongtuan Future ArkCollective Fund Trust Plan	1,500	Equity Fund	27 October 2017	27 October 2018	Used for development and construction of Future Ark Project F10 Group	Cash	7.30%	109.5	0	0	0	Yes	Yes		
China Tourism International Trust-Fiduciary Investment Co.,Ltd.	China Tourism International Trust-Zhixin No.358 Zhongtuan Future ArkCollective Fund Trust Plan	8,500	Equity Fund	27 October 2017	27 April 2019	Used for development and construction of Future Ark Project F10 Group	Cash	7.40%	942.64	99.24	99.24	0	Yes	Yes		

Shaanxi International Trust Co., Ltd.	Trust	Shaanxi International Trust-Green Source farmers market Trust Loan Collective Fund Trust Plan	10,000	Equity Fund	31 October 2017	31 October 2019	Used for working capital supplement of offering trust loans to Green Source farmers market Co., Ltd.	Cash	7.70%	1,540	0	0	0	Yes	Yes	
Huatai Securities Co., Ltd.	Securities	Huatai Securities-Huatai Hengyi No.17050	10,000	Equity Fund	1 November 2017	1 May 2018	Used for working capital supplement of Huatai Securities Co., Ltd.	Cash	4.90%	242.99	0	0		Yes	Yes	
Western Trust Co., Ltd.	Trust	Western Trust. Sunshine City Yujing Special Asset Trust	15,000	Equity Fund	1 November 2017	1 February 2019	Used for fellow-up construction of Sunshine City Yujing Garden Project	Cash	7.80%	1,464.9	160.27	160.27	0	Yes	Yes	
Shanghai International Xintuo Trade Company	Trust	Shanghai Xintuo-Oceanwide Wuhan Yunhai Garden Collective Trust	10,000	Equity Fund	9 November 2017	9 May 2019	Used for development and construction of Yunhai Garden Project (Block 24-1) by Wuhan	Cash	6.50%	972.33	0	0	0	Yes	Yes	

						CBD Investme nt&Devel opment Co.,Ltd.										
Zhon gron g Inter natio nal Trust Co.,L td.	Trus t	Zhongr ong Trust-X iangron g No. 166Coll ective Fund Trust Plan	15,0 00	Equit y Fund	14 Nove mber 2017	14 Nov emb er 201 8	Used for offering working capital loans to Chuying Agro-Pas toral Group Co.,Ltd.	Ca sh	7.4 0%	1,11 0	109. 48	109. 48	0	Yes	Yes	
Chin a Touri sm Inter natio nal Fiduci ary Inves tmen t Co.,L td.	Trus t	China Touri sm Internat ional Trust-Z hixin No.359 Shimao Beijing Tongzh ou Project Collecti ve Fund Trust	20,0 00	Equit y Fund	22 Nove mber 2017	22 Nov emb er 201 8	Used for offering financing capital to Beijing Fuhuyunt ong Real Estate Develop ment Co.,Ltd.	Ca sh	7.2 0%	1,44 0	92 0	92.0 0	0	Yes	Yes	
Avic Trust Co.,L td.	Trus t	Avic Trust-Ti anxin No.38C ollectiv e Fund Phase IV	20,0 00	Equit y Fund	2 Dec ember 2017	20 Dec emb er 201 8	Used for Subscribi ng trust plan or transfer trust usufruct held by beneficia ry under the trust plan	Ca sh	7.5 0%	1,57 3.97	78.0 8	78.0 8	0	Yes	Yes	

						managed by trust company and idle fund is operated in the form of deposit in bank										
China Tourism International Fiduciary Investment Co., Ltd.	Trust	China Tourism International Trust.Zhixin No.423 Fukong Trust	20,000	Equity Fund	14 December 2017	14 December 2018	Used for offering trust loans to Shanghai Fukong Interactive Entertainment Co., Ltd and supplement of working capital	Cash	8.00%	1,600	0	0	0	Yes	Yes	
Avic Trust Co., Ltd.	Trust	Avic Trust-Ti anxin No.38 Collective Fund Phase V	10,000	Equity Fund	14 December 2017	20 December 2018	Used for Subscribing trust plan or transferring trust usufruct held by beneficiary under the trust plan managed by trust company and idle fund is operated	Cash	7.50%	762.33	12.33	12.33	0	Yes	Yes	

							in the form of deposit in bank									
West ern Trust Co.,Ltd.	Trust	West ern Trust·S unshin e City Qingyu n Park Account t Receiv ables Collecti ve Fund Trust Plan	10,000	Equity Fund	15 Decem ber 2017	15 Decem ber 2018	Used for develop ment and construct ion of Qingyun Park Phase II project by Changsh a Zhongfan Real Estate Co.,Ltd.	Cash	7.90%	790	0	0	0	Yes	Yes	
Avic Trust Co.,Ltd.	Trust	Avic Trust.A pocalypse No.556 Tianchengjufu Invest ment Fund	20,000	Equity Fund	15 Decem ber 2017	15 Decem ber 2018	Used for subscribi ng financial investme nt products or other projects and products permitted by the laws and regulatio ns such as deposit in bank, money market fund and corporate bonds	Cash	7.20%	1,440	0	0	0	Yes	Yes	

Zhongrong International Trust Co., Ltd.	Trust	Zhongrong-Jundun No.1 Trust	15,000	Equity Fund	15 December 2017	15 December 2019	Shanghai Jiangnan (Group) Co., Ltd. used the funds to repay existing debts and acquire equity shares of Sichuan Tengdun Technology Co., Ltd. And its operation service company.	Cash	8.00%	2,400	0	0	0	Yes	Yes	
Western Trust Co., Ltd.	Trust	Western Trust Co. AC Group Creditors' Investment Trust	20,000	Equity Fund	18 December 2017	18 March 2019	Used for development and construction of Nanjing courtyard project by Nanjing Jiqin Real Estate Co., Ltd. wholly-owned by Fuzhou Taihe Real Estate Develop	Cash	7.90%	1,969.59	0	0	0	Yes	Yes	

						ment Co.,Ltd.										
China Tourism International Fiduciary Investment Co.,Ltd.	Fund	China Tourism International Fortune Enjoy No.5 Investment Fund	20,000	Equity Fund	26 December 2017	2 July 2018	Deposit in bank, money fund, open capital manage ment plan, short-ter m current asset, China Tourism Internatio nal self-colle ctive fund trust plan investme nt including governm ent credit, real estate and pledge of stock right	Cash	7.00%	721.1	00	0	0	Yes	Yes	
Western Trust Co.,Ltd.	Trust	Western Trust-Hu aibei Evergran de Bayv iew Trust	10,000	Equity Fund	28 December 2017	29 December 2018	Used for develop ment and construct ion of Huaibei Evergran de Bayview	Cash	8.50%	850	00	0	0	Yes	Yes	

Xingye International Fiduciary Co., Ltd.	Trust	Xingye Trust -Xinghui No. Trust	10,000	Equity Fund	29 December 2017	29 December 2018	Used for development and construction of Baima Road East G102 Block by Nanjing Huiyao Real Estate Development Co., Ltd.	Cash	7.00%	700	0	0	0	Yes	Yes	
Total			443,000	--	--	--	--	--	--	42,401.92	5,788.1	--	0	--	--	--

Entrust finance expected to be failed to recover principle or other situation leading to impairment

☐ Applicable ☒ N/A

17.3.2 Entrust Loans

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.4 Other Significant Contracts

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

18. Social Responsibilities

18.1 Information about Taking Social Responsibilities

The information about taking social responsibilities disclosed in *2017 Annual Social Responsibilities Report* in detail on www.cninfo.com.cn on 27 April 2018.

18.2 Information about Targeted Poverty Alleviation

18.2.1 Targeted Poverty Alleviation plan

According to the overall arrangement of overcoming poverty and achieving prosperity (work of "Gua Cun Bao Hu") by Suqian municipal committee and municipal government, the Company actively responded the municipal appeal and made the work practicable. The Company's counterpart support objects were Qiuzhuang village and 200 low-income

families living in Dagou village and Taiping village, Zhenglou Town, Yanghe New District. The goal of target poverty alleviation is to achieve that the collective economic income of reaches more than 180 thousand by the end of 2019 and 200 low-income families living in Dagou village and Taiping village out of poverty.

18.2.2 Summary of Annual Targeted Poverty Alleviation

The Company has continued to work hard for counterpart support(work of “Gua Cun Bao Hu” and “San Jin San Bang”) since 2017 as follows:

First, the Company worked hard for counterpart support (work of “Gua Cun Bao Hu” and “San Jin San Bang”) required by municipal government including poverty alleviation information submission, feedback on problems shown on the public number (Jiangsu Visit) and concerns raised by farmers, “Gua Cun Bao Hu ”-Plan,Progress and Performance, “Zoujiceng, Tiaojiegou, Zhusanxia” ,mass poverty alleviation fellowship, “Sunshine alleviation”. The donation of mass poverty alleviation fellowship amounted to RMB 3 million by the Company and employees. The Dream Blue charitable foundation financed poor college students and helped poor students attend university. The Company advocated setting up “Yuanmeng Plan” education fund with Suqian chamber of commerce in Nanjing. The donation amounted RMB 500 thousand and helped 50 college freshmen from poor families in Suqian.

Second, the Company pushed forward the annual work plan of (work of “Gua Cun Bao Hu”) and helped poor families out of poverty. The total donation amounted more than RMB 100 thousand by cadres and Party members. The Company assisted the villages in industrial restructuring and leveling 700 mu of land for circulation. The Company also helped the villages pave more than 400 meters cement road, established a convenient service center. The air-conditioning in Party member activity room was installed to improve the condition. In particular, the Company donated RMB 400 thousand taken from the party membership dues to set up party group service center for 8 poor rural party branches in Suqian in order to actively respond to the “party membership dues warm grass roots activity” organized by organization department of the provincial party committee. The Company donated RMB 100 thousand to help Qiuzhaung village build infrastructure and donated RMB 100 thousand to help 200 low-income families living in Dagou village and Taiping village in order to make the work of “Gua Cun Bao Hu” and “San Jin San Bang” practicable. By the end of 2017, there were 87 families out of poverty among 101 families in Dagou village and the year-over-year increase of annual income per head of other families reached more than RMB 500. There were 66 families out of poverty among 99 families in Taiping village and the year-over-year increase of annual income per head of other families reached more than RMB 500. The collective economic income of Qiuzhuang village reached RMB 185.2 thousand and fulfilled the annual task requirement.

Third, the Company organized featured activities related to poverty alleviation including the special activity of Dragon Boat Festival (“Thousands of words are always friendship”)

and organizing young volunteers to visit nursing home in Zhenglou Town for caring activities. The Company took the opportunity of celebrating the 96th birthday of the CPC and institutionalization and normalization of the party building studies mechanism to bring the work of “Gua Cun Bao Hu” and “San Jin San Bang” into a series of activities and education content and to organize new Party members to have an oath ceremony in Qiuzhuang village.

18.2.3 Poverty Alleviation Achievement

Indicator	Unit	Amount/Implementation Situation
A,Overall situation	——	——
Including: 1.Fund	Ten thousand yuan	361.86
2.Goods converted into cash	Ten thousand yuan	10.78
3.Establishing card for archives of poor people out of poverty	Person	186
B,Input by project	——	——
1.Industrial development	——	——
2.Transfer and employment	——	——
3.Removal and relocation	——	——
4.Educational poverty alleviation	——	——
Including: 4.1 Aiding poor students	Ten thousand yuan	350
5.Health poverty alleviation	——	——
6.Ecological protection	——	——
7.Basic guarantee	——	——
8.Social poverty alleviation	——	——
9.Other project	——	——
Including: 9.1.Item	——	6
9.2.Input amount	Ten thousand yuan	22.64
C,Awards (content and level)	——	——

18.2.4 Fellow-up Poverty Alleviation Plan

In 2018, the Company will studies spirit of the 19th CPC National Congress thoroughly and firmly. The Company will take targeted poverty alleviation and accelerating poverty eradication as its own duty and continue to make counterpart support plan seriously based on the task of poverty alleviation. The Company will push forward the poverty alleviation plan and work hard to complete the annual task of counterpart support. The Company will push forward the work of “Gua Cun Bao Hu” and “San Jin San Bang” with high quality and efficiency in order to enhance the rural development, enrich the people, build closer relationship between cadres and the masses and make a contribution to “Liang Ju Yi Gao”.

18.3 Information about Environment Protection

Whether the listed company and its subsidiaries belong to heavy polluting industries prescribed by the environmental protection departments of China

Company name	Name of main pollutant and particular pollutant	Discharge type	Amount of discharge outlet	Distribution of discharge outlet	Emission concentration	Pollution discharge standard	Total emission	Approved total emission	Excessive discharge
Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.	COD Ammonia nitrogen	Indirect discharge	1	Within site	COD: 50-200mg/L, Ammonia nitrogen: 1-20mg/L	<i>Discharge standard of water pollutants for liquor and spirit industry Sheet 2</i> indirect discharge	COD: 188.6 ton per year, Ammonia nitrogen: 22 tons per year	COD: 1960 tons per year, Ammonia nitrogen: 174.3 tons per year	No
Jiangsu Shuanggou Distillery Stock Co., Ltd.	COD Ammonia nitrogen	Pipeline	2	Within site	COD: 130mg/L, Ammonia nitrogen: 5mg/L	<i>Pipeline standard of water pollutants for Shuanggou Town</i>	COD: 82.94 tons per year, Ammonia nitrogen: 3.19 tons per year	COD: 540.6 tons per year, Ammonia nitrogen: 56.31 tons per year	No
Guizhou Guijiu Co., Ltd.	COD Ammonia nitrogen	Direct discharge	1	Within site	COD: 100mg/L, Ammonia nitrogen: 10mg/L	<i>Discharge standard of water pollutants for liquor and spirit industry Sheet 2</i> Direct	COD: 1.97 tons per year, Ammonia nitrogen: 0.275 tons per year	COD: 2.04 tons per year, Ammonia nitrogen: 0.275 tons per year	No

						discharge	tons per year	0.308 tons per year	
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Information about construction and operation of anti-pollution installations

18.3.1 Waste water treatment: In 2017, sewage treatment stations of the Company and subsidiaries worked properly and efficiently and effluent quality was superior to related industry standards.

18.3.2 Solid waste treatment: the solid waste of the Company and subsidiaries mainly included vinasse, sludge and household garbage. The Company entrusted Jiangsu Gugui New Material Joint-Stock Co.,Ltd., Guizhou Maifeng Biology Co.,Ltd., Jiangsu Woye Biology Technology Development Co.,Ltd., Sihong County Hengli Property Management Co.,Ltd. and local office of environment and sanitation to dispose the above solid waste.

Information about environmental impact assessment of construction project and other authorization from the administrative department in charge of environmental protection

The Company and subsidiaries have all necessary licenses and certificates including environmental impact assessment report of construction project, "San Tong Shi" materials examination and acceptance report and waste discharge permit.

The prepared plan for environmental emergencies

The Company and subsidiaries made prepared plan for environmental emergencies respectively and have all necessary licenses and certificates related to the contingency plan. They were put on record by Jiangsu Provincial Environmental Protection Office and Guizhou Provincial Environmental Protection Office. In 2017, the Company and subsidiaries carried out emergency exercises about operating trouble of waste water treatment and pipe network blocking. 6 emergency exercises were carried out during the year and environment emergency response capability was enhanced.

Environment self-monitoring scheme

The Company and subsidiaries respectively prepared environment self-monitoring schemes based on requirement in order to achieve the quality control and guarantee of overall process of pollutant source monitoring. The schemes were put on record by Suqian environmental monitor station and Xiuwen County environmental monitor station. The Company entrusted Taikete Detection Technology Jiangsu Co.,Ltd., Sihong environmental monitor station and Xiuwen County environmental monitor station as the third party to conduct sewage testing monthly and the testing results were timely issued on information distributing platform.

Other environment information should be disclosed

N/A

Other information about environment protection

Information about emissions and saving energy

A. In 2017, the Company and subsidiaries spent more than RMB 3.8 million upgrading and rebuilding the sewage treatment stations. Air environmental quality within site was greatly improved and the indicators were superior to related standards.

B. The performance of recovery and comprehensive utilization of marsh gas was significant and the steam output from marsh gas burning was more than 43 thousand tons. It achieved the economic result valued more than 7.9 million.

C. The Company actively responded to state and local requirements and shut down 2 coal-fired boilers (20 tons) and 1 coal-fired boilers (10 tons). The Company adopted centralized heating and the environment performance was greatly improved. It saved more than 25 thousand tons of coal and reduced 50.88 tons of sulfur dioxide, 55 tons of oxynitride, 9.9 tons of dust particles, more than 12 thousand tons of slag and 58 thousand tons of greenhouse gas.

D. In 2017, the environment protection work was professionally recognized and was awarded honorary title of "All-China Excellent Enterprise in Environment Protection" issued by All-China Environment Federation.

19. Other Significant Events

√ Applicable □ N/A

19.1 Suqian Blue Sky Trade Co., Ltd. was the company's second-largest shareholder and held 166,702,906 shares. The shareholding ratio is 11.06%; Suqian Blue Ocean Trade Co., Ltd. was the company's third-largest shareholder and held 156,435,720 shares. The shareholding ratio is 10.38%. On 16 August 2016, Jiangsu Blue Alliance Joint-Stock Co., Ltd., Suqian Blue Sky Trade Co., Ltd. and Suqian Blue Ocean Trade Co., Ltd. signed a merger agreement. The shares held by Suqian Blue Sky Trade Co., Ltd. and Suqian Blue Ocean Trade Co., Ltd. was succeeded to Jiangsu Blue Alliance Joint-Stock Co., Ltd. after merger. The Company issued a prompted announcement of changes in equity (No. 2016-021), a detailed report of change in equity and 2 simplified report of change in equity on 18 August 2016. The Company disclosed the announcement of completion of registration of shares held by more than 5% shareholders. The negotiability registration was completed by Blue Alliance, Blue Sky Trade and Blue Ocean Trade.

19.2 The Company indirectly held partnership share of Jiangsu Jiequan Emerging Industry Development Fund (Limited Partnership) via Jiangsu Xinghe Investment Management Co., Ltd. and Nanjing Xingnahe Venture Capital Investment partnership (Limited Partnership). Jiangsu Jiequan Emerging Industry Development Fund (Limited Partnership) completed fund-raising and put in record in AMAC. The record numbers are SCF515 and SCL005. It was disclosed in detail on the announcement of cooperative investment with professional investment institutions (No: 2017-021) on 30 December

2017 and the announcement of progress of cooperative investment with professional investment institutions (No: 2018-011) on 12 April 2018.

20.Significant Events of Subsidiaries

☐ Applicable ☒ N/A

Section VI Changes in shares and information about Shareholders

1. Changes in Shares

Unit: Share

	Before		+, -					After	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion (%)
1.Restricted shares	266,271,990	17.67%	0	0	0	-1,478,003	-1,478,003	264,793,987	17.57%
1.Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2.Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
3.Shares held by other domestic investors	266,271,990	17.67%	0	0	0	-1,478,003	-1,478,003	264,793,987	17.57%
Among which: Shares held by domestic corporations	249,480,000	16.55%	0	0	0	0	0	249,480,000	16.55%
Shares held by domestic individuals	16,791,990	1.12%	0	0	0	-1,478,003	-1,478,003	15,313,987	1.02%
4.Shares held by foreign investors	0	0.00%	0	0	0	0	0	0	0.00%
Among which: Shares held by foreign corporations	0	0.00%	0	0	0	0	0	0	0.00%

Shares held by foreign individuals	0	0.00%	0	0	0	0	0	0	0.00%
2.Non-restricted shares	1,240,716,010	82.33%	0	0	0	1,478,003	1,478,003	1,242,194,013	82.43%
1.RMB common shares	1,240,716,010	82.33%	0	0	0	1,478,003	1,478,003	1,242,194,013	82.43%
2.Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3.Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4.Others	0	0.00%	0	0	0	0	0	0	0.00%
3.Total shares	1,506,988,000	100.00%	0	0	0	0	0	1,506,988,000	100.00%

Reasons for the change in shares

☒ Applicable ☐ N/A

The main reason for the change in shares is that the shares of directors and top managers are locked.

Approval of share changes

☐ Applicable ☒ N/A

Transfer of share ownership

☒ Applicable ☐ N/A

Blue Alliance merged and signed the Merger Agreement with Blue Sky Trade and Blue Ocean Trade. After the merger, there was existence of Blue Alliance and cancellation of Blue Sky Trade and Blue Ocean Trade. Blue Alliance took up the rights and obligations of Blue Sky Trade and Blue Ocean Trade. 166,702,906 shares (including 37,993,906 circulation stock and 128,709,000 restricted shares before IPO) held by Blue Sky Trade and 156,435,720 shares (including 35,664,720 circulation stock and 120,771,000 restricted shares before IPO) were fully transferred to Blue Alliance on 23 November 2017.

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and the last Reporting period

☐ Applicable ☒ N/A

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

☐Applicable ☒N/A

2. Changes in Restricted Shares

☒Applicable ☐N/A

Unit: Share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Closing in restricted shares	Reason for change	Date of unlocking
Wang Yao	22,502	-1	0	22,501	Locked up due to his chairman of the board position	N/A
Zhong Yuye	4,434,007	0	1,478,004	5,912,011	Locked up due to his former director and CEO position	50% of restricted shares were released on 23 March 2018. The left will be released on 23 March 2019.
Zhu Guangsheng	2,956,006	-2,956,006	0	0	Unlocked due to expiration of his former senior management position	201-7-8
Jiangsu Blue Alliance Joint-Stock Co., Ltd.	0	0	249,480,000	249,480,000	Merger of Blue Sky Trade and Blue Ocean Trade , share transfer	N/A
Suqian Blue Ocean Trade	120,771,000	-120,771,000	0	0	Consolidated by Blue	N/A

Co.,Ltd.					Alliance, share transfer	
Suqian Blue Sky Trade Co.,Ltd.	128,709,000	-128,709,000	0	0	Consolidated by Blue Alliance, share transfer	N/A
Total	256,892,515	-252,436,007	250,958,004	255,414,512	--	--

2.Issuance and Listing of Securities

2.1 Securities (excluding preference shares) Issued in the Reporting Period

☐Applicable ☒N/A

2.2 Changes in Total Shares of the Company and the Shareholder Structure, as well as the Asset and Liability Structure

☐Applicable ☒N/A

2.3 Existing Staff-held Shares

☐Applicable ☒N/A

3. Shareholders and Actual Controller

3.1 Total Number of Shareholders and Their Shareholdings

Unit: Share

Total number of common shareholders at the end of the Reporting Period	24,648	Total number of common shareholders at the prior month-end before the disclosure date of the annual report	26,637	Total number of preference shareholders with resumed voting rights at the period-end(if any)(see note 8)	0	Total number of preference shareholders with resumed voting rights at the period-end (if any)(see note 8)	0	
Shareholdings of shareholders with a shareholding percentage over 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status of shares	Number of shares
Jiangsu Yanghe Group Co.,Ltd.	State-owned	34.16%	514,858,939	0	0	514,858,939	Frozen	3,400,000

	corporation							
Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Domestic non-state-owned corporation	21.44%	323,138,626	323,138,626	249,480,000	73,658,626		
Shanghai Haiyan Logistics Development Co.,Ltd.	State-owned corporation	9.67%	145,708,137	0	0	145,708,137		
ShangHai Jieqiang Tobacco Sugar & wine(Group)Co.,Ltd	State-owned corporation	4.37%	65,827,147	0	0	65,827,147		
Hong Kong Securities Clearing Company Ltd. (HKSCC)	Foreign corporation	4.11%	61,943,623		0	61,943,623		
Nantong Zongyi Investment Co.,Ltd.	Domestic non-state-owned corporation	1.46%	22,050,000	-13,261,600	0	22,050,000	Pledged	15,000,000
China Securities Finance Corporation limited	Domestic non-state-owned corporation	0.91%	13,736,570	13,736,570	0	13,736,570		
Central Huijin Asset Management Co., Ltd.	State-owned corporation	0.85%	12,766,400	0	0	12,766,400		
Xingyuan Asset Management Co.,Ltd. — clients' capital	Domestic corporation	0.74%	11,119,298	-3,355,700	0	11,119,298		
UBS AG	Foreign corporation	0.73%	10,951,236	-4,248,303	0	10,951,236		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see note 3)	N/A							
Related-parties or acting-in-concert	N/A							

Shareholdings of the top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held in the period end	Type of shares	
		Type	Number
Jiangsu Yanghe Group Co.,Ltd.	514,858,939	RMB comm on share s	514,858,939
Shanghai Haiyan Logistics Development Co.,Ltd.	145,708,137	RMB comm on share s	145,708,137
Jiangsu Blue Alliance Joint-Stock Co., Ltd.	73,658,626	RMB comm on share s	73,658,626
ShangHai jieqiang Tobacco Sugar & wine(Group)Co.,Ltd	65,827,147	RMB comm on share s	65,827,147
Hong Kong Securities Clearing Company Ltd. (HKSCC)	61,943,623	RMB comm on share s	61,943,623
Nantong Zongyi Investment Co.,Ltd.	22,050,000	RMB comm on share s	22,050,000
China Securities Finance Corporation Limited	13,736,570	RMB comm on share s	13,736,570
Central Huijin Asset Management Co., Ltd.	12,766,400	RMB comm on share s	12,766,400
Xingyuan Asset Management	11,119,298	RMB	11,119,298

Co.,Ltd.—clients' capital		comm on share s	8
UBS AG	10,951,236	RMB comm on share s	10,951,236
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares(if any)(see notes 3)	N/A		
Explanation on the top 10 common shareholders participating in the securities margin trading (if any) (see notes 4)	N/A		

Did any of the top 10 common shareholders or the top non-restricted common shareholders of the Company conduct any promissory repurchase during the Reporting Period.

☐ Yes ☒ No

The top 10 non-restricted common shareholders,the top10 common shareholders did not conduct any promissory repurchase during the Reporting Period.

3.2 Controlling Shareholder

Nature of controlling shareholder: Local state-owned

Type of controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
Jiangsu Yanghe Brewery Joint-Stock Co., Ltd	Han Feng	1997-05-08	91321300142334989Y	Sales of brewing mechanical equipment, Liquor Export, Import of various raw and auxiliary material used for production, equipment and accessories,

				Industrial investment; municipal public engineering, building engineering, tourism cultural industry investment.
Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the Reporting Period	N/A			

Change of the controlling shareholder during the Reporting Period

☐Applicable ☒N/A

No such cases in the Reporting Period

3.3 Actual Controller

Nature of actual controller: Local State-owned Assets Supervision and Administration Commission

Type of actual controller: Corporation

Name of actual controller	Legal representative/Company principal	Date of establishment	Credibility code	Main business scope
State-owned Assets Supervision and Administration Commission of Suqian	Ye Feng	2005-10-22	N/A	Execution of duty of state-owned enterprise's investor on behalf of the people's government of suqian and implement of supervision and administration of state-owned assets and state-owned

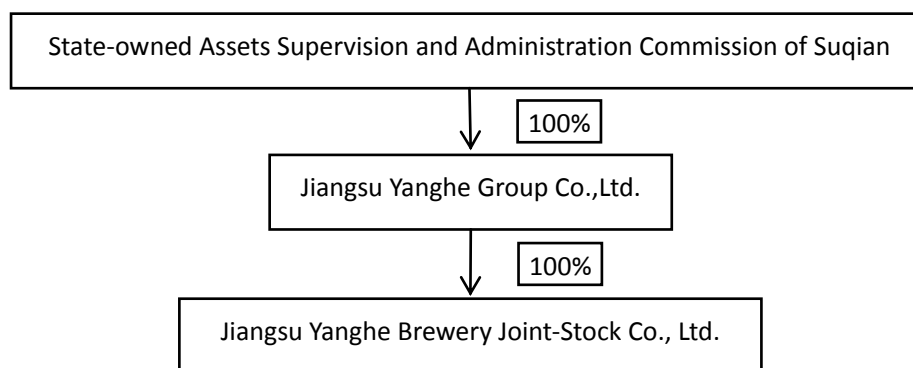
				enterprises.
Share holdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the Reporting Period.	N/A			

Change of the actual controller during the Reporting Period

☐Applicable ☒N/A

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company



The actual controller control the company via trust or other ways of assets management

☐Applicable ☒N/A

3.4 Other Corporate Shareholders with a Shareholding Percentage Above 10%

☒Applicable ☐N/A

Name of actual controller	Legal representative/ Company principal	Date of establishment	Registered capital	Main business scope
Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Zhang Yubai	2016-07-28	RMB 104,544,000.00	Sales of daily products, research and development of biology technology, furniture

				production,Business management consulting service, planting fruit tree,sales of prepackaging food.
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3.5 Limits on the Company's Shares Held by its Controlling Shareholder, Actual Controller, Restructuring party and Other Commitment Subjects.

☐Applicable ☒ N/A

Section VII Preference Shares

☐ Applicable ☒ N/A

No such cases in the Reporting Period

Section VIII Profiles of Directors, Supervisory, Senior Management and Employees

1. Change in Shares own by Directors, Members of Supervisory Committee, Senior Management and Employees

Name	Office title	Incumbent/Former	Gender	Age	Period of service	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting Period (share)	Other increase/decrease (share)	Shares held at the period-end (share)
Wang Yao	Chairman	Incumbent	Male	53	2015.2.10-2021.1.29	30,002	0	0	0	30,002
Zhong Yu	Deputy Chairman, President	Incumbent	Male	54	2015.2.10-2021.1.29	0	0	0	0	0
Han Feng	Director	Incumbent	Male	56	2015.2.10-2021.1.29	0	0	0	0	0
Cong Xuenian	Director, Vice President, Secretary of the Board, CFO	Incumbent	Male	52	2015.2.10-2021.1.29	3,378,291	0	0	0	3,378,291
Zhou Xinhu	Director, Vice President, Chief Engineer	Incumbent	Male	56	2015.2.10-2021.1.29	3,378,291	0	500,000	0	2,878,291

	Gender	Position	Gender	Age	Term of Office	Shareholding	Shareholding	Shareholding	Shareholding	Shareholding
Liu Huasuan	Director	Incumbent	Male	48	2018.1.29-2021.1.29	0	0	0	0	0
Wang Kai	Director	Incumbent	Male	41	2017.5.19-2021.1.29	0	0	0	0	0
Xu Zhijian	Independent Director	Incumbent	Male	54	2015.2.10-2021.1.29	0	0	0	0	0
Cai Yunqing	Independent Director	Incumbent	Female	66	2015.2.10-2021.1.29	0	0	0	0	0
Ji Xueqing	Independent Director	Incumbent	Male	47	2015.2.10-2021.1.29	0	0	0	0	0
Chen Tongguan	Independent Director	Incumbent	Male	52	2015.2.10-2021.1.29	0	0	0	0	0
Feng Panti	Chairman of Supervisory Committee	Incumbent	Male	58	2015.2.10-2021.1.29	5,677,986	0	0	0	5,677,986
Chen Yiqin	Member of Supervisory Committee	Incumbent	Male	57	2015.2.10-2021.1.29	0	0	0	0	0
Chen Taiqing	Member of Supervisory Committee	Incumbent	Male	53	2015.2.10-2021.1.29	0	0	0	0	0
Chen	Member	Incumbent	Male	50	2015.2	0	0	0	0	0

Taisong	Member of Supervisory Committee	Incumbent	Male		2015.10-2021.1.29					
Zhou Wenqi	Member of Supervisory Committee	Incumbent	Female	52	2015.2.10-2021.1.29	0	0	0	0	0
Lin Qing	Vice President	Incumbent	Female	43	2015.2.10-2021.1.29	0	0	0	0	0
Zhen Bujun	Vice President	Incumbent	Male	51	2015.2.10-2021.1.29	71,400	0	6,400	0	65,000
Zhu Wei	Vice President	Incumbent	Male	41	2015.2.10-2021.1.29	0	0	0	0	0
Tang Jian	Director	Former	Male	48	2016.5.31-2017.4.1	0	0	0	0	0
Zhong Yuye	Director, Executive President	Former	Male	61	2015.2.10-2017.9.23	5,912,011	0	0	0	5,912,011
Total						18,447,981	0	506,400	0	17,941,581

2. Change in Directors, Members of Supervisory Committee, Senior Management and Employees

Name	Office title	State of Position	Date	Reason
Tang Jian	Director	Dimission	2017.4.1	Resign
Zhong Yuye	Director, Executive President	Dimission	2017.9.23	Retire

3. Basic Information

Professional background, work experience and major position of directors, members of supervisory Committee, senior management.

3.1 Directors

Mr. Wang Yao, born in December 1965, Master of engineering of Jiangnan University, Master of Business Administration of Nanjing University, Senior Engineer of the researcher level, Representative of the 19th National Congress of the Communist Party of China, Craft master of Chinese liquor. He used to serve as Secretary of the Party branch and Director of crushing and starter-making workshop of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd., Chairman, General Manager and Secretary of the Party Committee of Jiangsu Yanghe Group Color Printing CO.,Ltd., Deputy General Manager, Vice Secretary of Party Committee, Secretary of the Discipline Inspection Commission of Jiangsu Shuanggou Co., Ltd., Deputy General Manager, Vice Secretary of Party Committee and President Assistant of Jiangsu Su Wine industry Co., LTD., General Manager and Vice President of Jiangsu Shuanggou Brewery Co., Ltd., Chairman and Secretary of the the Party Committee Su Wine Trading Co., Ltd.. He is Chairman and Secretary of the the Party Committee of the Company, Chairman of Su Wine Trading Co., Ltd., Director of Blue Alliance currently.

Mr. Zhong Yu, born in May 1964, Master Degree, Senior Engineer, Master of Chinese liquor. He was the Director of Technology and Environmental Protection Department of Jiangsu Shuanggou Brewery; Vice Chief Engineer, President Assistant and Director of Production and Technology Center of Jiangsu Shuanggou Brewery Co., Ltd., Vice General Manager of Yanghe Branch of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd., Brewing Director, President Assistant, Vice President of the Company, General Manager of Siyang Branch. Currently, He is Deputy Chairman, President, Vice Secretary of the the Party Committee of Yanghe, General Manager of Yanghe Branch and Chairman of Jiangsu Shuanggou Brewery Co., Ltd.

Mr. Han Feng, born in October 1962, Master Degree. He served as Deputy Head of Siyang County in Jiangsu province, Member of the Party Committee, Member of standing Committee of Siyang, Chairman of Jiangsu Yanghe Group CO., Ltd. and Jiangsu Shuanggou Group CO., Ltd. At present, he is Director of Yanghe, Chairman and Secretary of the the Party Committee of Suqian Industry Development Group CO., Ltd., Chairman, General Manager of Jiangsu Yanghe Group CO., Ltd. and Jiangsu Shuanggou Group CO., Ltd.

Mr. Wang Kai was born on August 1977, Bachelor Degree, Intermediate Economist. He was Manager of Brand department in Marketing Center of SHANGHAI TOBACCO GROUP CO., Ltd., President Assistant of Shanghai Haiyan Logistics Development CO., Ltd. He is one of the Directors of Yanghe and Vice General Manager of Shanghai Haiyan Logistics Development CO., Ltd.

Mr. Cong Xuenian, born in January 1966, Master Degree, Senior Economist. He served as Chief Accountant and Finance Director Jiangsu Yanghe Brewery, Finance Minister of Yanghe Group, Secretary of the Board, Financial Administrator, Director and vice President of the Company. At present, he is Secretary of the Board, Financial

Administrator, Director, and Vice President of the Company, Chairman of Su Wine Fortune management Co., Ltd. and Director of Blue Alliance.

Mr. Zhou Xinhui, born in August 1962, Master Degree, Senior Engineer, Member of the Expert group of Liquor professional Committee of China Food Industry Association, Chief wine taster of China and Master of Chinese Wine Critic. He was Technician of Yanghe Group, Director of Quality Inspection department and Storage department, Vice General Manager of Jiangsu Yanghe Liquor Co., Ltd., Vice Chief Engineer, Chief Engineer and Vice President of Company. At present, he is Director, Vice President and Chief Engineer of Company.

Mr. Liu Huashuang was born on December 1970, Master of Business Administration of Fudan University, Accountant. He was the Director of Marketing department and Vice General Manager of Jiangsu Yanghe Liquor Co., Ltd., General Manager of Yanghe Blue Classic, General Manager of Jiangsu Yanghe Liquor Co., Ltd., Member of the Standing Party Committee of Company, Deputy General Manager and Vice Secretary of Party Committee of Jiangsu Su wine industrial Co., Ltd., Vice Chairman of Su wine trade group Limited by Share Ltd. He is the Member of the Standing Party Committee of Company and Director of Strategic Studies, Secretary of the Party Committee and Vice Chairman of Su wine trade group Limited by Share Ltd. now.

Mr. Xu Zhijian was born on March 1964, Master and Doctor Degree, Professor. He was Director of China&Netherlands Business Administration Education Center of Nanjing University, Director of EMBA Program of Nanjing University& Cornell University, Director of International Business Administration Education Center of Nanjing University, Assistant Dean of Business College of Nanjing University, Director of the Department of Business Administration of Nanjing University. At present, he is Independent Director of Yanghe, Nanjing Port Co., Ltd., Jiangsu Maysta Chemical Co., Ltd. and Glarun Technology Co., Ltd., Professor of Business College of Nanjing University.

Ms. Cai Yunqing, born in December 1952, Doctor of Medicine, Professor and Doctoral Supervisor. She was Director of Food Health department and Assistant Station-Master of Jiangse Sanitation and Antiepidemic Station, Director of department of nutrition and food hygiene, school of public health, Nanjing Medical University, Director of Institute of nutrition and food science. At present, she is Independent Director of company, Supervisor of Chinese Nutrition Society, Honorary President of Nutrition Society of Jiangsu Province, Vice President of Jiangsu Intelligent aged Research Association and Health food evaluation Expert of National food and drug Administration.

Mr. Ji Xueqing was born on July 1971, Master degree. He used to be the Project Manager of China Chuangye Investment Group Limited, Chairman and President of Nanjing Qinghe Investment Group Co., Ltd., Executive Director of Nanjing Shuijinshi Investment Group Co., Ltd., Senior Vice President of Yonyou Network Technology Co., Ltd. At present, he is Independent Director of Yanghe, Independent Director of Nanjing Balance Network

Technology Co., Ltd., Chairman of Nanjing Suhe Venture Capital Center, Director of Nanjing Liheng Investment Limited Partnership, Supervisor of Xuzhou Zm-Besta Heavy Steel Structure Co., Ltd., Partner of China soft Investment Group.

Mr. Chen Tongguang, born in April 1966, Bachelor Degree. He was Accountant of Jiangsu Huaiyin Electric Company, Vice Director of Finance department of Jiangsu Agricultural College, Vice Director of Accounting Center and Finance department of Yangzhou University, Vice and General Manager Yangda branch of Yangzhou University Asset Operation Co., Ltd. At present, he is Independent Director of Yanghe, General Manager Yangda branch of Yangzhou University Asset Operation Co., Ltd. and Independent Director of Yangzhou Yangjie Electronic Technology Co., Ltd.

3.2 Supervisory

Mr. Feng Pantai was born on October 1960, College degree, Senior Economist. He was Vice Director of Sihong Food Bureau, Vice General Manager of Yanghe Group, Director and Vice President of Company. He has been Chairman of the Supervisory Committee, Member of Standing Committee, Chairman of Trade Union, Director of Blue Alliance.

Mr. Chen Taiqing, born in May 1965, Master degree, Senior Political Engineer, Member of Communist Party of China. He was Member of the Party Committee of Jiangsu Yanghe Group Co., Ltd., Director of Executive Office, Member of the Party Committee, Director of Human Resource Department, Director of Integrated Department, President Assistant, Vice General Manager of Yanghe branch and Secretary of Discipline Inspection Commission of Yanghe. At present, he is Supervisory, Vice Secretary of the Party Committee, General Manager and Secretary of the Party Committee of Jiangsu Shuanggou Distillery Stock Co., Ltd.

Mr. Chen Yiqin, born in August 1961, College degree, Auditor, Certified Public Accountant. He was Director of the Suqian Municipal Audit Bureau, CFO of Suqian Water Investment Company, Financial Director of Suqian Industry Development Group Co., Ltd. At present, he is Supervisory of Yanghe and Chairman of the Supervisory Committee of Suqian Industry Development Group Co., Ltd.

Ms. Zhou Wenqi, born in April 1966, College degree, Senior Accountant. She was Financial Director of Shanghai Jieqiang No.3 and No.4 distribution center, Financial Assistant, Deputy Manager, Manager of ShangHai jieqiang Tobacco Sugar & wine (Group) Co., Ltd. She is Supervisory of Yanghe and CFO of ShangHai jieqiang Tobacco Sugar & wine (Group) Co., Ltd. currently.

Mr. Chen Taisong, born in January 1968, Master degree. He was Member, Secretary of Siyang Legal Bureau of, secretary, Vice Section Chief, Section Chief, Director Assistant, Vice Director of Siyang Government Office, Alcalde and Secretary of the Party Committee of Chuancheng town in Siyang country, Vice Secretary of the Party Committee and Secretary of Discipline Inspection Commission and Chairman of the Supervisory

Committee of Su wine industrial Co., Ltd., Vice Secretary of Discipline Inspection Commission of Yanghe. At present, he is Supervisory, Member of Standing Committee, Director of Organization department of company, Vice Secretary of the Party Committee and Secretary of Discipline Inspection Commission and Chairman of the Supervisory Committee of Su wine trade group Limited by Share Ltd.

3.3 Senior Executives

Mr. Zhong Li, President of company, resume as above.

Mr. Cong Xuenian, Vice-President of company, resume as above.

Mr. Zhou Xinhui, Vice-President of company, resume as above.

Ms. Lin Qing, born in May 1975, Master degree, Senior Accountant, Certified Public Accountant. She was Deputy Director of Enterprise department of Suqian Finance Bureau, Director Assistant of Suqian Price Bureau, Member and Vice Director of the Party Committee of National Development and Reform Commission, Member of the Standing Committee of Yanghe, Vice-President of company. At present, she is a member of the Standing Committee of Yanghe and Vice-President of company

Mr. Zhen Bujun, born in January 1967, Master of Business Administration, Senior Engineer. He was General Manager of Jiangsu Yanghe Group Co., Ltd., General Manager of Suqian State-owned Investment Co., Ltd., Vice General Manager of Jiangsu Shuanggou Distillery Stock Co., Ltd., Logistics & Purchasing Director and President Assistant of Yanghe. At present, he is Vice-President, member of the Standing Committee of company, General Manager and Secretary of the Party Committee of Siyang branch.

Mr. Zhu Wei, born in May 1977, Master of Nanjing University. He was Director of Human Resource department of company, Director of Marketing department, Chief Marketing Officer and Vice General Manager of Su wine trade group Limited by Share Ltd., Director of Strategy of company, Vice General Manager of Su wine trade group Limited by Share Ltd. He is Vice President of Yanghe and General Manager of Su wine trade group Limited by Share Ltd. currently.

Position in Shareholder-Holding Companies

√ Applicable □ N/A

Name	Name of Shareholder-Holding Companies	Position in Shareholder-Holding Companies	Beginning Date of office term	Ending Date of office term	Any remunerations received from Shareholder-Holding Companies
Han Feng	Jiangsu Yanghe Group Co.,Ltd.	Chairman, General	2012.03.08		NO

		Manager			
Zhou Wenqi	ShangHai jieqiang Tobacco Sugar & wine (Group) Co.,Ltd.	CFO	2013.07.01		YES
Wang Kai	Shanghai Haiyan Logistics Development Co.,Ltd.	Vice General Manager	2017.03.01		YES
Wang Yao	Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Director	2016.07.26		NO
Feng Pantai	Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Director	2016.07.26		NO
Cong Xuenian	Jiangsu Blue Alliance Joint-Stock Co., Ltd.	Director	2016.07.26		NO

Position in Other Companies

√ Applicable □ N/A

Name	Name of Other Companies	Position in Other Companies	Beginning Date	Ending Date	Any remunerations received from Other Companies
Han Feng	Suqian Industry Development Group Co.,Ltd.	Chairman	2011.09.05		YES
Han Feng	Jiangsu Shuanggou Group Co.,Ltd.	Chairman, General Manager	2012.03.08		NO
Chen Yiqin	Suqian Industry Development Group Co.,Ltd.	Chairman of the Supervisory Committee	2014.01.28		YES
Xu Zhijian	Nanjing University	Professor	2003.11.11		YES
Xu Zhijian	Nanjing Port Co., Ltd.	Independent Director	2016.03.30		YES
Xu Zhijian	Jiangsu Maysta Chemical Co., Ltd.	Independent Director	2015.12.04		YES
Xu Zhijian	Glarun Technology Co.,Ltd.	Independent Director	2017.05.12		YES
Cai Yunqing	Chinese Nutrition Society	Supervisory	2017.05.01		NO
Cai Yunqing	Jiangsu Intelligent aged Research Association	Vice President	2017.03.01		NO
Cai	Chinese Nutrition Society	Honorary	2015.04.01		NO

Yunqing		President			
Cai Yunqing	State Food and Drug Administration	Evaluation Experts of Health-Food	2008.08.01		NO
Ji Xueqing	Nanjing Suhe Venture Capital Center (Limited Partnership)	Chairman	2017.01.01		NO
Ji Xueqing	Xuzhou Zm-Besta Heavy Steel Structure Co., Ltd	Supervisor	2017.03.01		NO
Ji Xueqing	China soft Investment Group	Partner	2017.01.01		NO
Ji Xueqing	Nanjing Balance Network Technology Co., Ltd.	Independent Director	2017.10.01		NO
Ji Xueqing	Nanjing Li Heng Investment Limited Partnership	Director	2017.01.01		NO
Chen Tongguang	Yangzhou University Yangda Branch	General Manager	2013.10.01		YES
Chen Tongguang	Yangzhou Yangjie Electronic Technology Co.,Ltd.	Independent Director	2017.06.19		YES

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

☐ Applicable ☒ N/A

4. Remuneration of Directors, Supervisors and Senior Executives

The following describes the decision-making procedures, grounds on which decisions are made and actual remuneration payment of directors, supervisors and senior executives.

Decision-making procedures for directors, supervisors and senior executives: Based on the "trial implementation measures for the annual salary of general manager (amended)" proposed by the second session and 9th meeting of the board of directors on December 29, 2008, "trial method about the annual salary system of chairman (amended)" proposed by the first interim shareholders' meeting on January 18, 2009.

Grounds on which decisions are made of directors, supervisors and senior executives: Based on the Company's operating conditions, refer to the standard of regional economic, industry and market.

Actual remuneration payment of directors, supervisors and senior executives: According to the performance and salary system and pay on time.

Remuneration of directors, supervisors and senior executives during the Reporting Period

Unit: RMB

Name	Position	Gender	Age	Incumbent/	Total	Remuneration
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				Former	before-tax remuneration from the Company	from related parties of the Company
Wang Yao	Chairman	Male	53	Incumbent	128.19	NO
Zhong Yu	Deputy Chairman, President	Male	54	Incumbent	121.49	NO
Han Feng	Director	Male	56	Incumbent	0	YES
Wang Kai	Director	Male	41	Incumbent	0	YES
Cong Xuenian	Director, Vice President, Secretary of the Board, CFO	Male	52	Incumbent	91.25	NO
Zhou Xinhui	Director, Vice President, Chief Engineer	Male	56	Incumbent	92.04	NO
Xu Zhijian	Independent Director	Male	54	Incumbent	6	NO
Cai Yunqing	Independent Director	Female	66	Incumbent	6	NO
Ji Xueqing	Independent Director	Male	47	Incumbent	6	NO
Chen Guangtong	Independent Director	Male	52	Incumbent	6	NO
Feng Pantai	Chairman of Supervisory Committee	Male	58	Incumbent	91.92	NO
Chen Taiqing	Supervisory	Male	53	Incumbent	91.01	NO
Chen Yiqin	Supervisory	Male	57	Incumbent	0	YES
Zhou Wenqi	Supervisory	Female	52	Incumbent	0	YES
Chen Taisong	Supervisory	Male	50	Incumbent	87.91	NO
Lin Qing	Vice President	Female	43	Incumbent	91.96	NO
Zhen Bujun	Vice President	Male	51	Incumbent	91.63	NO
Zhu Wei	Director	Male	41	Incumbent	96.64	NO
Zhong Yuye	Director	Male	61	Former	103.46	NO
Tang Jian	Director, Executive President	Male	48	Former	0	YES
Total					1,111.5	

Share incentives for directors, supervisors and senior executives in the Reporting Period
☒ Applicable ☐ N/A

5. Staff in the Company

5.1 Number, Functions and Educational Backgrounds of the Staff

Number of in-service staff of the Company	6,914
Number of in-service staff of main subsidiaries	8,112
Total number of in-service staff	15,026
Total number of staff with remuneration in the period	15,026
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	0
Functions	
Function	Number of staff
Production	5,866
Sales	5,036
R&D	1,845
Financial	219
Administrative	1,625
Inner Retired	435
Total	15,026
Educational backgrounds	
Educational background	Number of staff
Master and doctor	234
Bachelor	3,421
College, technical secondary school	4,049
Senior high school	3,579
Junior high school and under	3,743
Total	15,026

5.2 Staff Remuneration Policy

The remuneration consists of basic payments performance-related payments and benefit float award. The company implemented the mechanism of self-promotion of positions in 2017, and prepared the measures for the management of position automatic management. According to the the main working responsibilities, working content of the department, the quality, efficiency and economic value of employees, the company aimed to establish an adequate evaluation index of employees' performance. Based on this remuneration policy, employees were capable to be self-motivated and highly efficient. Therefore, the management of the company would be improved and achieve the win-win goal with staff.

5.3 Staff Training Plans

The staff training can divide into three levels in 2017: company training, subsidiary training and department training, they are carried out by training department of human recourse center, human recourse department and various departments respectively. Company training includes special training for su wine ecosphere leading talents, special training for Internet business, win at the middle-level learning project (level 1 strategic reserve talent), primary action learning project (level 2 strategic reserve talent), "soldier assault" talent training program for excellent employees at the grassroots level (level 3 strategic reserve talent), TTT project for internal trainer training, maintenance personnel training program in production base and so on. Subsidiary training contains packaging, wine making and staff

comprehensive quality improvement training, etc. Department training mainly focuses on the professional training of department business.

In the past one year, the training carried out in an orderly manner according to management methods and other relevant regulations. Classes and courses were based on the characters of enterprise talents, reserved strategic talents from three levels, specific training of Internet talents. During the year, there were 371 training sessions, 28,228 participants, with an average attendance of 11.27 hours per person.

5.4 Labor Outsourcing

☐ Applicable ☒ N/A

Section IX Corporate Governance

1. Basic Situation of Corporate Governance

The Company constantly perfects corporate governance structure and internal control system to enhance the corporate governance level strictly according to *the Corporate Law, the Securities Law, The Listed Company Governance Standards, Rules Governing Listing of Stocks on Shenzhen Stock Exchange and Guidelines on Standard Operation of SME Board Listed Companies on Shenzhen Stock Exchange* and other relevant Laws and regulations. The Company operates normatively with sound corporate governance and normative information disclosure. The situation of corporate governance of the Company meet the requirements of authority files of listed company corporate governance by CSRC.

1.1.Shareholders and Shareholders' General Meeting

According to the regulations such as *Articles of Incorporation, Company Rules of Procedure of The Shareholders' General Meeting*. the Company convenes and holds the shareholders' general meeting and discusses business affairs in the meeting normatively. The Company hires legal advisor to issue the legal opinion for the shareholders' general meeting; The Company can treat all shareholders equally, especially makes minority shareholders have equal status and fully exercise their own power. During the reporting period, the overall requirements of the Party building work were added in the articles of incorporation; During the reporting period, the Company held 1 shareholders' general meeting and 8 proposals were passed in the meeting. The board carried out all the decisions made by the annual meeting of shareholders carefully. The board carried out the decisions made by shareholders' general meeting seriously.

1.2. Relationship between Controlling Shareholders and the Company

According to the requirement of the *Company Law*, the controlling shareholders take duties of sponsor and undertake commitments. During the reporting period, controlling shareholders have no priority beyond the rights of shareholders' general meeting that directly and indirectly affect the decision-making and operation of the Company. There is no situation that controlling shareholders damage the legal interests of other shareholders. The Company and the controlling shareholders implement independent accounting of personnel, assets, finance, organizations and business. They take responsibilities and risks separately. There is no significant related party transaction between the Company and the controlling shareholders. There is on situation that controlling shareholders occupy the funds of the listed company and the listed company tenders guarantee for controlling shareholders and the subsidiaries.

1.3. Directors and Board of Directors

The directors are elected seriously under the regulations of the *Corporate Law and Articles of Incorporation*. The board of the Company consists of 11 directors including 4 independent directors. The structure of the board of directors satisfies the requirements of

laws and regulations. The board discusses business affairs according to corporate law and articles of incorporation. All the directors are able to attend the meeting and take responsibilities diligently according to the Discussion Rules of the Board of Directors and The Working System of Independent Director, Behavior Guidelines of Directors of SME Board Listed Companies. All the directors seriously consider proposals and make scientific and reasonable decisions for significant events. They also protect the legal interests of the Company and all shareholders. Strategy Committee, Nomination Committee, Audit Committee, Remuneration and Appraisal Committee are 4 professional committees set under the board. The Committees have clear division of work and responsibilities and fully play professional role to offer scientific and professional suggestions for the decision-making of the board.

1.4. Supervisors and Board of Supervisors

The supervisors are elected according to the *Corporate Law and the Articles of Incorporation*. The board of supervisors of the Company consists of 5 supervisors, including 2 staff representative supervisors. The structure of the board of supervisors satisfies the requirements of laws and regulations. The board of supervisors discusses business affairs according to corporate law and articles of incorporation. Supervisors can attend the meeting according to the requirements of Rules of Discussion Rules of the Board of Supervisors. They takes their own responsibilities seriously, supervise and make independent suggestions for the Company's significant events, financial conditions and the duties of directors and CEO, thereby, protecting legal interests of the Company and shareholders.

1.5. Mechanism of Evaluation and Motivation

The Company keeps improving the mechanism of evaluation and motivation. The appointment of directors, supervisor and senior managers is open and transparent, which satisfies the requirements of relevant regulations and laws. The fair and transparent evaluation mechanism of the management has been built. During the reporting period, the management carried out the performance assessment according to the goal of annual operation plan. The management takes their responsibilities seriously and fulfills the duties and completed the operation management tasks arranged by the board of directors.

1.6. Stakeholders

The Company fully respects and protects legal interests of stakeholders and fulfills the duties of social responsibility. The Company strengthens the awareness of social responsibility and achieves the interest balance among society, shareholders, company and employees. The clients and suppliers can be treated honestly and every employee is trained seriously. The Company adheres to principles of win-win of stakeholders and pushes forward the harmonious and sound development.

1.7. Information Disclosure and Transparency

The information disclosure of the Company is implemented according to the requirements

of supervision departments. The Company seriously implement the rules including information disclosure management rule and investors relationship management rule. The Company enhances the management of information disclosure affairs and takes responsibility of information disclosure legally and carefully, achieving the accuracy, integrity, fairness, timeliness of information disclosure. The information can be equally obtained by all shareholders. The media of public disclosure for the Company are *Securities Times*, *Shanghai Securities News*, *China Securities Journal*, *Securities Daily*, www.cninfo.com.cn.

1.8. Investors Relationship Management

The Company focuses on the management of investors relationship to protect legal rights of investors. Except for the duties like diligence or honesty, the Chairman, the CEO, the Board Secretary have good communications and interactions with investors through reception of investor investigation and participating in performance explanation session and broker strategy meeting online. As the professional organization for investor relationship management, the securities department strengthens the communication with investors through telephone, email and irm.cninfo.com.cn. It fully makes sure that investors have right to know and protects their legal interests.

1.9. Methods of Improving Internal Control System Construction

The Company keeps on enhancing the corporate governance and the internal control system, which improves the management to a higher level. The Audit Committee fully examines and supervises the financial condition, the efficiency of internal control, the efficiency and rationality of corporate governance. The audit department of the Company, as an internal audit unit, carries out regular and continuous examination on perfection and implement situation of internal control system. It finds the Internal control defects and improves deficiencies timely, thus the effectiveness of internal control can be guaranteed. The operation management and anti-risk capacity are enhanced.

Any incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

☐ Yes ☒ No

There is no incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

2. Independency of Businesses, Personnel, Assets, Organizations and Finance which are Separate from the Controlling Shareholder

2.1. In the Aspect of Business

The Company has independent and integrated business structure and the ability to operate independently in the market. There is no horizontal competition between controlling shareholders and the Company. Besides, there is no such kind of situation that controlling shareholders intervene with operation of the company directly or indirectly.

2.2 In the Aspect of Personnel

The Company has built independent personnel management system and salary management system. Furthermore, the Company signed labor contracts with employees. Chairman of the board, the CEO, Vice-president, the Board Secretary and the responsible person for the Company's financial affairs obtain compensation from the Company rather than the controlling shareholders. The directors, senior managers and supervisors do not have positions illegally in other companies that have the same or similar business.

2.3 In the Aspect of Assets

There are clear property relations between the Company and controlling shareholders. The Company owns the independent land usage right and ownership of buildings. The Company independently registers and manages the properties with setting up accounts and accounting treatment for them. There is no situation that the controlling shareholders occupy and control the assets of the Company or intervene the operation management of the assets.

2.4 In the Aspect of Organization

The Company has well-structured organization system, including the shareholders' general meeting, the board of directors, supervisory committee, the management and functional departments. Related internal management and control system is established for clear division of function and interaction with each other. It forms an organic whole that ensures the legal operation. There is no affiliation with functional departments of controlling shareholders.

2.5 In the Aspect of Finance

Our company has completed and independent organization with professional financial employees. Independent accounting system and financial management are established. The Company sets bank accountants, pays taxes and makes financial decisions separately. There is no situation that controlling shareholders affect the financial management.

3. Horizontal Competition

☐Applicable ☒N/A

4. Annual Meeting of Shareholders and Special Meetings of Shareholders Convened during the Reporting Period

4.1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure Date	Disclosure Index
2016 Annual	General Meeting	75.18%	2017-05-19	2017-05-20	Announcement

General Meeting of shareholders	of shareholders				No,2017-011, disclosed on www.cninfo.com.cn
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4.2. Special Meetings of Shareholders Convened at the Request of Preference Shareholders with Resumed Voting Rights

☐Applicable ☒ N/A

5. Performance of Independent Directors during the Reporting Period

5.1.Attendance of Independent Directors in Board Meeting and Meeting of Shareholders

Attendance of independent directors in Board meeting							
Independent director	Presence due in the Reporting Period(time s)	Presence on site(times)	Presence by telecommu nication(times)	Presence through a proxy(times)	Absence(ti mes)	Absence for two consecutive times	Presence(ti mes)
Wu Zhijian	3	3	0	0	0	No	1
Cai Yunqing	3	3	0	0	0	No	1
Ji Xueqing	3	3	0	0	0	No	1
Chen Tongguang	3	3	0	0	0	No	1

Explanation of absence of independent directors in meetings of the board for twice
N/A

5.2. Objections from Independent Directors in Related Issues of the Company

Were there any objections on related issues of the Company from independent director

☐ Yes ☒ No

Independent director has no objection on related issues of the Company during the Reporting Period.

5.3. Other Details about the Performance of Duties by Independent Directors

Were there any suggestions from independent directors adopted by the Company

☒ Yes ☐ No

Details about advice of independent directors adopted by the Company
Company adopted the advice of independent directors.

6. Performance of Duties by Special Committees under the Board during the Reporting Period

1. During the reporting period, the Strategic Committee held 1 meeting. It investigated the Board work report in advance, made the 2017 annual work plan, offered scientific and reasonable suggestions and fulfilled the duties.

2. During the reporting period, the Nominations Committee held 1 meeting. It examined the qualification of director candidates nominated in fifth session of the eighth board of directors and formed the consensus. The committee fulfilled the duties.

3. During the reporting period, the Audit Committee held 4 meetings. It considers the affairs seriously including periodic reports, regular audit by internal audit department and special audit. It knows about the financial and operational conditions in detail and examines the execution of internal control system. It plays an effective role in guidance and supervision. The committee fulfilled the duties.

4. During the reporting period, the Remuneration and Appraisal Committee held 1 meeting. It examines the salary of directors and senior managers in 2016. The information disclosure of the Company about the salary of directors and senior managers is correct and true and as the same as the examination.

7. Performance of Duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period

☐ Yes ☒ No

The Supervisory Committee has no objection during the Reporting Period.

8. Evaluation and motivation Mechanism for the Senior Management

At the beginning of the establishment of the evaluation and motivation mechanism, it was explicitly illustrated in *Proposed Regulation of Annual Salary System of General Manager*. The evaluation and motivation of senior managers are mainly reflected in annual salary system. The board of directors evaluates and motivates the senior managers mainly according to the satisfaction of clients, safety index, quality index and financial index. The management implements the annual salary system. The basic part of annual salary is paid monthly on average and the remaining part will be paid at the end of the year according to the results of evaluation. If it does not reach the evaluation index, the remaining parts will not be paid. In 2017, the Remuneration and Appraisal Committee examined the situation of the management's performance. In the opinion of the committee: During the reporting period, the Management has achieved the main purpose of sustainable development.

9. Internal Control

9.1. Serious Internal Control Defects Found in the Reporting Period

☐ Yes ☒ No

9.2. Self-evaluation Report in Internal Control

Disclosure date of the internal control self-evaluation report	2018-04-27	
Index to the disclosed internal control self-evaluation report	For details, please refer to the 2018-4-27 Audit's Report on the internal Control, which has been disclosed on www.cninfo.com.cn	
Ratio of the total assets of the appraised entitles to the consolidated total assets	92.23%	
Ratio of the operating revenues of the appraised entitles to the consolidated operating revenue	95.78%	
Defect identification standard		
Type	Financial-report related	Non-financial-report related
Nature standard	<p>(1) The clue of serious defect of financial report including : i. Corrupt transaction of directors,senior manager and supervisors; ii. The managers cannot figure out the serious misstatement, but these misstatements are found by others ; iii. The results of evaluation of internal control, the serious defect is still existing ; iv. Audit committee and Internal audit agency are not effective to the internal control. (2) The important defects including : i. Accounting policy has not been chosen or used under the general accepted accounting principles; ii. The fraud program and control methods have not been built; iii. The controlling system or compensation system of accounting treatment of irregular or special trade has not formed; iv. The control of the process of Final Financial Reporting exist the situation that one or more advantages are found and the Veracity and Accuracy of Financial Report cannot be proved. (3) Other control defects except for serious defects, important defects are called normal defects.</p>	<p>If condition below appear, it can be considered as serious defect, others can be divided into important defect or normal defect according to affection.: (1) The Company suffer from serious loss due to Lake of democratic decision-making system ; (2) Obey national regulations and laws seriously; (3) Lake of important manage regulations or system doesn't work; (4) Important defects of internal control or serious defects of internal control cannot be regulated in time; (5) A lot of important or serious defects of the company appear.</p>

Quantitative standard	<p>Serious defect: Misstatement > 3% of total operating revenue ; Misstatement > 5% of total profits; Misstatement > 2% of total assets。 Important defect : 1% of total operating revenue < 3% of total profits; Misstatement ≤ 3% of total operating revenue ; 3% of total profits; Misstatement ≤ 5% of total profits; 1% of total assets < 2% of total assets。 Misstatement ≤ 2% of total assets。 Normal defect: Misstatement ≤ 1% of total operating revenue ; Misstatement ≤ 3% of net profits ; Misstatement ≤ 1% of total assets</p>	<p>Serious defect: ratio of loss of total assets ≥ 1%. Important defect: 0.5% ≤ ratio of loss of total assets < 1% Normal defect: ratio of loss of total assets < 0.5%</p>
Number of serious financial-report related defects	0	
Number of serious Non-financial-report related defects	0	
Number of important financial-report related defects	0	
Number of important Non-financial-report related defects	0	

10. Auditor's Report on Internal Control

Auditor's Report on Internal Control

Opinion paragraph in the audit's report on internal control	
The internal control auditor holds the view that on 31 December 2017, the company maintained an effective internal control of a financial report in all significant aspects based on the General Specifications of Company Internal Control and relevant specification.	
Auditor's report on internal control disclosed or not	Disclosed
Date of disclosing the full text of the auditor's report on internal control	2018.04.27
Index to the disclosed full text of the auditor's report on internal control	For details, please refer to the 2018-4-27 Audit's Report on the internal Control, which has been disclosed on www.cninfo.com.cn
Type of the audit's opinion	Standard unqualified opinion
Serious non-financial-related defects	No

Whether any modified opinions are expressed by the accounting firm in its auditor's report on the Company's internal control

☐ Yes ☒ No

Whether the auditor's report on the company's internal control issued by the accounting firm is consistent with the self-evaluation report of the Board

☒ Yes ☐ No

Section X Information about Corporate Bond

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

No

Section XI Financial Report

1.Auditor's report

Type of audit report	Standard & unqualified
Signing date of auditor's report	2018-04-26
Name of Audit	Jiangsu Suya Jincheng Certified Public Accountants LLP
No. of auditor's report	SUYASHEN[2018]No.778
Names of auditors	Xu Xuzheng, Kan Baoyong

Text of Auditor's Report

Auditor's Report

To the shareholders of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet as at December 31st 2017; consolidated income statement and income statement, consolidated statement of cash flows and statement of cash flows, consolidated statement of changes in owners' equity and statement of changes in owners' equity for the year then ended; and notes to the financial statements.

In our opinion, the financial statements of the Company are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31st 2017 and its operating results and cash flows for the year then ended.

Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certificated Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company in accordance with the Code of Ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1.Recognition of Revenue

Please refer to Notes 3.23 and Notes 5.34 of the Financial Statements	
Key audit matter	How our audit addressed the matter
<p>The Company's specific condition of revenue recognition is that revenue is recognized after customer acceptance based on receiving payment or obtaining the rights of claiming payment for goods according to signed sales contracts or agreements. In 2017, the Company's annual operating revenue was RMB 19,917,942,238.16, up 15.92% from last year. It increased greatly. Operating revenue is an important component of income statement. Therefore, we identified operating revenue as a key audit matter.</p>	<p>We implemented the main audit procedures in respect of revenue recognition:</p> <ol style="list-style-type: none"> 1. Understood, tested and evaluated the effectiveness of internal control of sales and cash receipts cycle designed and executed by the management. 2. Judged whether there is an abnormal fluctuation of revenue in the reporting period with the analytic review of revenue and gross profit margin in combination with product category. 3. Sampling inspection of supporting documents related to revenue recognition including sales contracts or orders, invoices, delivery lists or receiving reports, shipping lists and bank slips. 4. Implemented the external confirmation of selected major franchisers and inspected the payback of account receivables after the reporting period in combination with audit of account receivable. 5. Sampling inspection of calculation and accounting treatment of sales discount and sales allowance 6. Chose samples from sales revenue records before and after the balance sheet date, inspected related supporting documents and evaluated whether the revenue recorded in the appropriate accounting period.
2.Calculation of Consumption Tax and Change of Tax Payment	
Please refer to Notes 4 and Notes 5.35 of the Financial Statements	
Key audit matter	How our audit addressed the matter
<p>According to Notice on further Strengthening the Collection and Management of Liquor Consumption Tax (Guoshuihan (2017) No. 144) issued by the State Administration of Taxation(SAT) issued, if a liquor manufacturing enterprise sets up multi-level sales units selling liquor, the SAT should verify the lowest assessable price of the manufacturing</p>	<p>We implemented the main audit procedures in respect of calculation of consumption tax and change of tax payment:</p> <ol style="list-style-type: none"> 1. Understood, tested and evaluated the Company's key control procedures related to calculation of consumption tax and change of tax payment. 2. Obtained the consumption tax return and checked the carrying amount. 3. Obtained the lowest tax assessable price sheet

<p>enterprise based on external sales price of final sales unit. Since 1 May 2017, the lowest assessable price of liquor consumption tax has been adjusted to 60% uniformly from 50% to 70%. The tax payment of the Company's liquor consumption tax has been changed from withholding and remitting tax by trustee from direct payment by the liquor manufacturing enterprise since 1 September 2017. The accounting method of consumption tax was changed from manufacturing consignment reckoned in cost of liquor production to self-production and self-sale reckoned in consumption taxes and surcharges. The tax price of liquor consumption tax with ad valorem taxation has been changed from composite assessable price to the lowest assessable price of the manufacturing enterprise based on external sales price of final sales unit since 1 May 2017. The above calculation of consumption tax and change of tax payment is important for the Company. Taxes and surcharges is an important component of income statement. Therefore, we identified calculation of consumption tax and change of tax payment as a key audit matter.</p>	<p>and conducted a sampling inspection. 4. Chose samples to review the calculation process and results of consumption tax. 5. Chose samples to inspect the actual consumption tax payment</p>
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Other Information

The Company's management (hereinafter referred to as "management") is responsible for the other information. The other information comprises all of the information included in the Company's 2017 Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- (4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Jiangsu Suya Jincheng Certified Public Accountants LLP

Nanjing, China

Kan Baoyong

Certified Public Accountant of China

Xu Xuzheng,

Certified Public Accountant of China

April 26th, 2018

2. Financial Statements

Monetary Unit: RMB

2.1. Consolidated Balance Sheet

As at December 31, 2017

Prepared by: Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.

Monetary Unit: RMB

Assets	Balance as at December 31, 2017	Balance as at December 31, 2016
Current assets:		
Cash and cash equivalents	1,751,452,876.18	2,456,627,358.97
Settlement funds		
Lending funds		
Financial assets measured at fair value through profit or loss		
Derivative financial assets		
Notes receivable	212,812,236.57	151,616,983.85
Accounts receivable	8,485,382.83	10,824,186.90
Prepayment	86,661,808.28	69,319,933.22
Premium receivable		
Reinsurance accounts receivable		
Provision of cession receivable		
Interests receivable		
Dividends receivable		
Other receivables	57,084,601.83	110,535,658.50
Redemptory monetary capital for sale		
Inventories	12,861,503,434.11	12,221,515,305.37
Assets held for sale		
Non-current assets maturing within one year	552,200,000.00	238,900,000.00
Other current assets	12,996,375,380.41	10,065,235,053.84
Total current assets	28,526,575,720.21	25,324,574,480.65
Non-current assets:		
Disbursement of loans and advances		
Available-for-sale financial assets	3,460,279,142.76	1,458,069,647.18
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,980,046.94	21,029,470.42

Investment properties		
Fixed assets	8,249,559,468.26	7,970,035,119.29
Construction in progress	234,431,457.83	544,670,924.38
Project materials	788,063.58	788,063.58
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	1,653,546,427.07	1,634,624,841.57
Development expenses		
Goodwill	276,001,989.95	276,001,989.95
Long-term deferred expenses	1,091,644.16	2,158,153.24
Deferred tax assets	649,659,107.71	568,074,960.43
Other non-current assets	204,227,633.91	1,004,034,598.94
Total non-current assets	14,731,564,982.17	13,479,487,768.98
Total assets	43,258,140,702.38	38,804,062,249.63
Current liabilities:		
Short-term loans		
Borrowings from central bank		
Customer deposits and deposits from banks and other financial institutions		
Borrowing funds		
Financial liabilities measured at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable	8,200,000.00	960,000,000.00
Accounts payable	1,111,403,574.47	784,213,000.76
Advances from customers	4,199,846,323.30	3,847,491,823.75
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		

Employee benefits payable	209,658,648.29	165,454,185.74
Taxes and surcharges payable	2,289,562,127.67	1,807,842,582.92
Interest payable		
Dividends payable		4,696,611.20
Other payables	5,620,040,515.94	4,867,632,425.33
Dividend payable for reinsurance		
Reserve fund for insurance contracts		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Liabilities held for sale		
Non-current liabilities maturing within one year		
Other current liabilities		
Total current liabilities	13,438,711,189.67	12,437,330,629.70
Non-current liabilities:		
Long-term loans	145,452.00	181,816.00
Bonds payable		
Including: Preferred stock		
Perpetual bond		
Long-term payables		
Long-term employee benefits payable		
Payables for specific projects	199,107,530.75	199,978,943.07
Provisions		
Deferred income	107,349,666.67	111,085,666.67
Deferred tax liabilities	17,957,771.10	18,499,326.73
Other non-current liabilities		
Total non-current liabilities	324,560,420.52	329,745,752.47
Total liabilities	13,763,271,610.19	12,767,076,382.17
Owners' equity (or		

shareholders' equity) :		
Share capital	1,506,988,000.00	1,506,988,000.00
Other equity instruments		
Including: Preferred stock		
Perpetual bond		
Capital reserves	741,704,076.44	741,704,076.44
Less: treasury stock		
Other comprehensive income	915,704.03	1,141,647.47
Special reserves		
Surplus reserves	753,494,000.00	753,494,000.00
General risk reserve		
Undistributed profits	26,511,938,505.25	23,049,443,346.09
Total equity attributable to owners of the parent company	29,515,040,285.72	26,052,771,070.00
Non-controlling interests	-20,171,193.53	-15,785,202.54
Total owners' equity (or shareholders' equity)	29,494,869,092.19	26,036,985,867.46
Total liabilities and owners' equity (or shareholders' equity)	43,258,140,702.38	38,804,062,249.63

Legal representative: Wang Yao

Person in charge of accounting affairs: Cong Xuenian

Person in charge of accounting department: Yin Qiuming

2.2. Balance Sheet

Monetary Unit: RMB

Assets	Balance as at December 31, 2017	Balance as at December 31, 2016
Current assets:		
Cash and cash equivalents	1,109,561,846.20	1,570,426,948.87
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes receivable	162,947,960.82	63,202,344.00
Accounts receivable	7,526,709,429.22	1,855,067,908.49

Prepayment	2,635,654.78	2,276,112.00
Interests receivable		
Dividends receivable	2,605,425,138.06	5,170,157,529.06
Other receivables	1,160,366,132.04	10,362,461,481.74
Inventories	9,944,024,331.15	9,636,992,631.75
Assets held for sale		
Non-current assets maturing within one year	150,000,000.00	
Other current assets	8,803,227,424.95	1,707,917,932.03
Total current assets	31,464,897,917.22	30,368,502,887.94
Non-current assets:		
Available-for-sale financial assets	2,038,625,617.54	810,770,442.49
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	5,408,241,180.24	2,614,965,815.66
Investment properties		
Fixed assets	5,402,239,827.59	5,131,698,753.07
Construction in progress	49,968,361.62	338,015,916.65
Project materials	788,063.58	788,063.58
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	1,275,763,366.60	1,292,239,478.41
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	6,093,941.15	6,365,178.40
Other non-current assets	165,885,624.34	410,334,832.94
Total non-current assets	14,347,605,982.66	10,605,178,481.20
Total assets	45,812,503,899.88	40,973,681,369.14
Current liabilities:		
Short-term loans		
Financial liabilities measured at fair value through current profit or loss		
Derivative financial		

liabilities		
Notes payable		
Accounts payable	1,166,484,374.31	1,494,301,071.17
Advances from customers	21,608,300,346.42	19,234,222,657.20
Employee benefits payable		4,288,922.68
Taxes and surcharges payable	383,026,142.73	102,989,580.63
Interest payable		
Dividends payable		
Other payables	169,460,166.49	173,587,366.51
Liabilities held for sale		
Non-current liabilities maturing within one year		
Other current liabilities		
Total current liabilities	23,327,271,029.95	21,009,389,598.19
Non-current liabilities:		
Long-term loans	145,452.00	181,816.00
Bonds payable		
Including : Preferred stock		
Perpetual bond		
Long-term payables		
Long-term employee benefits payable		
Payables for specific projects	145,437,496.65	145,961,936.65
Estimated Liabilities		
Deferred income	79,166.67	174,166.67
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	145,662,115.32	146,317,919.32
Total liabilities	23,472,933,145.27	21,155,707,517.51
Owners' equity (or shareholders' equity) :		
Share capital	1,506,988,000.00	1,506,988,000.00

Other equity instruments		
Including :		
Preferred stock		
Perpetual bond		
Capital reserves	1,341,628,480.93	1,341,628,480.93
Less: treasury stock		
Other comprehensive income		
Special reserves		
Surplus reserves	753,494,000.00	753,494,000.00
General risk reserve	18,737,460,273.68	16,215,863,370.70
Total owners' equity (or shareholders' equity)	22,339,570,754.61	19,817,973,851.63
Total liabilities and owners' equity (or shareholders' equity)	45,812,503,899.88	40,973,681,369.14

2.3. Consolidated Income Statement

Monetary Unit: RMB

Item	Year 2017	Year 2016
1. Total operating income	19,917,942,238.16	17,183,109,620.08
Including: operating income	19,917,942,238.16	17,183,109,620.08
Interest income		
Earned premium		
Fee and commission income		
2. Total operating costs	11,741,569,054.09	10,003,035,000.07
Including: operating costs	6,681,148,562.16	6,202,978,828.59
Interest expenses		
Fee and commission expenses		
Surrender value		
Net payments for insurance claims		
Net provision insurance contracts		
Bond insurance expense		

Reinsurance Expenses		
Taxes and surcharges	1,151,869,831.30	309,567,399.64
Selling and distribution expenses	2,387,447,107.05	1,869,001,821.53
General and administrative expenses	1,532,148,106.93	1,582,435,251.45
Financial expenses	-33,912,331.47	-8,947,212.14
Impairment losses	22,867,778.12	47,998,911.00
Plus: gains from changes in fair value ("-" for losses)		
Investment income ("-" for losses)	623,953,064.97	547,210,021.50
Including: income from investment in associates and joint ventures	-1,299,882.30	-3,893,529.35
Foreign exchange gains ("-" For Losses)		
Asset disposal income ("-" For Losses)	-8,598,844.11	-5,823,628.96
Other income	44,745,640.94	
3. Operating profits ("-" For Losses)	8,836,473,045.87	7,721,461,012.55
Plus: non-operating income	19,822,054.76	45,149,806.09
Less: non-operating expenses	8,340,532.81	5,645,254.90
4. Total profits before tax ("-" For Total Losses)	8,847,954,567.82	7,760,965,563.74
Less: income tax expenses	2,229,168,424.15	1,956,036,449.75
5. Net profit ("-" For Net Loss)	6,618,786,143.67	5,804,929,113.99
5.1 Net income from continuing operations ("-" For net deficiency)	6,618,786,143.67	5,804,929,113.99
5.2 Net income from discontinued operations ("-" For net deficiency)		
Attributable to owners of the parent company	6,627,169,959.16	5,827,168,870.88
Attributable to Minority interest income	-8,383,815.49	-22,239,756.89
6. Net of tax from other comprehensive income	-226,957.05	1,143,061.03
Net of tax from other comprehensive income to the owner of the parent company	-225,943.44	1,125,312.56
6.1 Other comprehensive income cannot reclassified into the profit and		

loss:		
Including: Re-measure the variation of net indebtedness or net asset of defined benefit plans		
Share in other comprehensive income that cannot be classified into profit and loss under equity method		
6.2 Other comprehensive income that will be reclassified into the profit and loss	-225,943.44	1,125,312.56
Including: Share in other comprehensive income that will be classified into profit and loss under equity method		
Changes in fair value of available-for-sale financial assets		
Held-to-maturity investment reclassified into available-for sale financial assets		
Effective part of cash-flow hedge profit and loss		
Balance arising from the translation of foreign currency financial statements	-225,943.44	1,125,312.56
Others		
Net of tax from other comprehensive income to minority shareholders	-1,013.61	17,748.47
7. Total comprehensive income	6,618,559,186.62	5,806,072,175.02
Total comprehensive income attributable to owners of the parent company	6,626,944,015.72	5,828,294,183.44
Total comprehensive income attributable to minority shareholders	-8,384,829.10	-22,222,008.42
8. Earnings per share		
(1)Basic earnings per share	4.40	3.87
(2)Diluted earnings per share	4.40	3.87

Legal representative: Wang Yao

Person in charge of accounting affairs: Cong Xuenian
 charge of accounting department: Yin Qiuming

Person in

2.4. Income Statement

Monetary Unit: RMB

Item	Year 2017	Year 2016
1. Operating income	7,287,432,948.05	6,894,824,928.20
Less: operating costs	6,025,125,159.75	6,007,511,662.33
Business taxes and surcharges	790,967,616.84	73,103,638.46
Selling and distribution expenses		
General and administrative expenses	813,483,459.91	879,948,170.35
Financial expenses	-129,591,360.68	-250,219,369.17
Impairment losses	480,654.94	1,062,334.79
Plus: gains from changes in fair value ("-" for losses)		
Investment income ("-" for losses)	5,917,308,205.89	4,854,529,199.01
Including: income from investment in associates and joint ventures	-2,074,635.42	-4,128,507.78
Asset disposal income ("-" For Total Losses)	-547,317.20	-4,967,642.85
Other income	12,565,700.00	
2. Operating profits ("-" For Losses)	5,716,294,005.98	5,032,980,047.60
Plus: non-operating income	2,466,263.97	7,268,092.83
Less: non-operating expenses	4,200,000.00	1,671,313.14
3. Total profits before tax ("-" For Total Losses)	5,714,560,269.95	5,038,576,827.29
Less: income tax expenses	28,288,566.97	88,390,042.91
4. Net profit ("-" For Net Loss)	5,686,271,702.98	4,950,186,784.38
4.1 Net income from continuing operations ("-" For net deficiency)	5,686,271,702.98	4,950,186,784.38
4.2 Net income from discontinued operations ("-" For net deficiency)		
5. Net of tax from other comprehensive income		
(1) Other comprehensive income cannot reclassified		

into the profit and loss:		
Including: Re-measure the variation of net indebtedness or net asset of defined benefit plans		
Share in other comprehensive income that cannot be classified into profit and loss under equity method		
(2) Other comprehensive income that will be reclassified into the profit and loss		
Including: Share in other comprehensive income that will be classified into profit and loss under equity method		
Changes in fair value of available-for-sale financial assets		
Held-to-maturity investment reclassified into available-for sale financial assets		
Effective part of cash-flow hedge profit and loss		
Balance arising from the translation of foreign currency financial statements		
Others		
6. Total comprehensive income	5,686,271,702.98	4,950,186,784.38
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

2.5 Consolidated Statement of Cash Flows

Monetary Unit: RMB

Item	Year 2017	Year 2016
1. Cash flows from operating activities		

Cash received from sale of goods and rendering of services	23,711,590,313.33	22,869,510,223.76
Net increase in customer bank deposits and placement from banks and other financial institutions		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Premiums received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Net increase from disposal of financial assets held for trading		
Cash received from interest, handling charges and commissions		
Net increase in loans from banks and other financial institutions		
Net capital increase in repurchase business		
Refunds of taxes and surcharges		
Cash received from other operating activities	427,432,452.11	121,047,134.82
Sub-total of cash inflows from operating activities	24,139,022,765.44	22,990,557,358.58
Cash paid for goods purchased and services received	6,973,376,753.35	6,203,990,821.87
Net increase in loans and advances to customers		
Net increase in deposits in central bank and other banks and financial institutions		
Cash paid for original insurance contract claims		
Cash paid for interests, handling charges and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	1,532,216,356.37	1,510,429,701.30
Cash paid for taxes and surcharges	6,535,601,442.87	5,758,348,700.63

Cash paid for other operating activities	2,214,658,413.54	2,112,743,534.16
Sub-total of cash outflows from operating activities	17,255,852,966.13	15,585,512,757.96
Net cash flows from operating activities	6,883,169,799.31	7,405,044,600.62
2. Cash flows from investing activities		
Cash received from disposal of investments	30,400,345,558.70	8,035,647,871.18
Cash received from returns on investments	564,117,891.26	422,339,653.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	608,832.88	7,726,084.69
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	5,116,000.00	
Sub-total of cash inflows from investing activities	30,970,188,282.84	8,465,713,608.96
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	325,345,429.44	480,211,104.59
Cash paid for investments	34,805,329,229.53	13,758,155,971.19
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units	535,902.84	191,679,668.48
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	35,131,210,561.81	14,430,046,744.26
Net cash flows from investing activities	-4,161,022,278.97	-5,964,333,135.30
3. Cash flows from financing activities		
Cash received from investors		
Including: cash received by subsidiaries from investments by minority shareholders		
Cash received from borrowings		
Cash received from bonds issue		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for debt repayments	36,364.00	83,536,364.00
Cash paid for distribution of dividends and profits or payment of interest	3,169,375,338.20	2,713,542,761.01

Including: dividends and profits paid to minority shareholders by subsidiaries	4,696,611.20	80,672.15
Cash paid for other financing activities	247,704,388.41	900,000,000.00
Sub-total of cash outflows from financing activities	3,417,116,090.61	3,697,079,125.01
Net cash flows from financing activities	-3,417,116,090.61	-3,697,079,125.01
4. Effect of fluctuation in exchange rate on cash and cash equivalents	-11,705,912.52	5,198,479.25
5. Net increase in cash and cash equivalents	-706,674,482.79	-2,251,169,180.44
Plus: balance of cash and cash equivalents at the beginning of the period	2,456,627,358.97	4,707,796,539.41
6. Balance of cash and cash equivalents at the end of the period	1,749,952,876.18	2,456,627,358.97

2.6. Statement of Cash Flows

Monetary Unit: RMB

Item	Year 2017	Year 2016
1. Cash flows from operating activities		
Refunds of taxes and surcharges	4,993,174,559.67	11,515,039,389.71
Cash received from other operating activities		
Cash received from other operating activities	9,395,953,342.76	260,746,751.78
Sub-total of cash inflows from operating activities	14,389,127,902.43	11,775,786,141.49
Cash paid for goods purchased and services received	6,084,319,424.50	5,870,321,906.28
Cash paid to and on behalf of employees	628,353,375.71	525,173,610.23
Cash paid for taxes and surcharges	1,959,696,424.05	1,711,283,007.62
Cash paid for other operating activities	153,591,847.77	4,412,432,440.40
Sub-total of cash outflows from operating activities	8,825,961,072.03	12,519,210,964.53
Net cash flows from operating activities	5,563,166,830.40	-743,424,823.04
2. Cash flows from investing activities		
Cash received from disposal of investments	13,595,278,733.32	3,672,690,576.05
Cash received from returns on investments	8,423,249,140.68	4,013,672,891.09
Net cash received from disposal of fixed assets, intangible assets and other	16,755,029.89	11,965,331.46

long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	22,035,282,903.89	7,698,328,798.60
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	325,294,764.78	312,984,934.17
Cash paid for investments	24,564,483,908.37	3,216,081,257.61
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	24,889,778,673.15	3,529,066,191.78
Net cash flows from investing activities	-2,854,495,769.26	4,169,262,606.82
3. Cash flows from financing activities		
Cash received from investors		
Cash received from borrowings		
Cash received from bonds issue		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for debt repayments	36,364.00	36,364.00
Cash paid for distribution of dividends and profits or payment of interest	3,164,678,727.00	2,712,585,527.00
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities	3,164,715,091.00	2,712,621,891.00
Net cash flows from financing activities	-3,164,715,091.00	-2,712,621,891.00
4. Effect of fluctuation in exchange rate on cash and cash equivalents	-4,821,072.81	55,948.78
5. Net increase in cash and cash equivalents	-460,865,102.67	713,271,841.56
Plus: balance of cash and cash equivalents at the beginning of the period	1,570,426,948.87	857,155,107.31
6. Balance of cash and cash equivalents at the end of the period	1,109,561,846.20	1,570,426,948.87

2.7. Consolidated Statement of Changes in Shareholders' Equity

Monetary Unit: RMB

Item	Year 2017												
	Equity attributable to owners of the parent company										Non-controllin g interests	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Compreh ensive Income	Special reserve	Surplus reserve	General risk reserve			Undistributed profit
Prefe rred stock		Perp etual bon d	Other										
1. Balance as at December 31 of last year	1,506,988,000.00				741,704,076.44		1,141,647.47		753,494,000.00		23,049,443,346.09	-15,785,202.54	26,036,985,867.46
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business Combinations Under Common Control													
Others													
2. Balance as at January 1 of the current year	1,506,988,000.00				741,704,076.44		1,141,647.47		753,494,000.00		23,049,443,346.09	-15,785,202.54	26,036,985,867.46
3. Increases/decreases in the current year ("-" for decreases)							-225,943.44				3,462,495,159.16	-4,385,990.99	3,457,883,224.73
(1) Total comprehensive income							-225,943.44				6,627,169,959.16	-8,384,829.10	6,618,559,186.62

(2) Capital contributed or reduced by owners												3,998,838.11	3,998,838.11
a. Capital contributions by owners													
b. Capital contributions by other equity instruments holders													
c. Amounts of share-based payments recognized in owners' equity													
d. Others												3,998,838.11	3,998,838.11
(3) Profit distribution											-3,164,674,800.00		-3,164,674,800.00
a. Withdrawal of surplus reserves													
b. Withdrawal of general risk reserve													
c. Profit distributed to owners (or shareholders)											-3,164,674,800.00		-3,164,674,800.00
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Others													
(5) Special reserves													

a. Withdrawal for the period													
b. Use for the period													
(6) Others													
4. Balance as at December 31 of the current year	1,506,988,000.00				741,704,076.44		915,704.03		753,494,000.00		26,511,938,505.25	-20,171,193.53	29,494,869,092.19

Monetary Unit: RMB

Item	Year 2016												
	Equity attributable to owners of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Perpetual bond	Other									
1. Balance as at December 31 of last year	1,506,988,000.00				741,745,168.83		16,334.91		753,494,000.00		19,934,852,875.21	4,384,481.94	22,941,480,860.89
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													

Business Combinations Under Common Control												
Others												
2. Balance as at January 1 of the current year	1,506,988,000.00			741,745,168.83		16,334.91		753,494,000.00		19,934,852,875.21	4,384,481.94	22,941,480,860.89
3. Increases/decreases in the current year ("-" for decreases)				-41,092.39		1,125,312.56				3,114,590,470.88	-20,169,684.48	3,095,505,006.57
(1) Total comprehensive income						1,125,312.56				5,827,168,870.88	-22,222,008.42	5,806,072,175.02
(2) Capital contributed or reduced by owners				-41,092.39							2,132,996.09	2,091,903.70
a. Capital contributions by owners												
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others				-41,092.39							2,132,996.09	2,091,903.70
(3) Profit distribution										-2,712,578,400.00	-80,672.15	-2,712,659,072.15
a. Withdrawal of surplus reserves												
b. Withdrawal of general risk reserve												

c. Profit distributed to owners (or shareholders)											-2,712,578,400.00	-80,672.15	-2,712,659,072.15
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Others													
(5) Special reserves													
a. Withdrawal for the period													
b. Use for the period													
(6) Others													
4. Balance as at December 31 of the current year	1,506,988,000.00				741,704,076.44		1,141,647.47		753,494,000.00		23,049,443,346.09	-15,785,202.54	26,036,985,867.46

2.8.Statement of Changes in Shareholders' Equity

Monetary Unit: RMB

Item	Year 2017										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
1. Balance as at December 31 of last year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	16,215,863,370.70	19,817,973,851.63
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
2. Balance as at January 1 of the current year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	16,215,863,370.70	19,817,973,851.63
3. Increases/decreases in the current year (“-” for decreases)										2,521,596,902.98	2,521,596,902.98
(1) Total										5,686,271,702.98	5,686,271,702.98

comprehensive income											
(2) Capital contributed or reduced by owners											
a. Capital contributions by owners											
b. Capital contributions by other equity instruments holders											
c. Amounts of share-based payments recognized in owners' equity											
d. Others											
(3) Profit distribution										-3,164,674,800.00	-3,164,674,800.00
a. Withdrawal of surplus reserves											
b. Profit distributed to owners (or shareholders)										-3,164,674,800.00	-3,164,674,800.00
c. Others											
(4) Internal carry-forward of owners' equity											
a. Conversion of capital reserves into paid-in capital (or share capital)											
b. Conversion of surplus reserves into paid-in capital (or share capital)											

c. Surplus reserves offsetting losses											
d. Others											
(5) Special reserves											
a. Withdrawal for the period											
b. Use for the period											
(6) Others											
4. Balance as at December 31 of the current year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	18,737,460,273.68	22,339,570,754.61

Item	Year 2016										
	Share capital	Other equity instruments			Capital reserve	Less : Treasury stock	Other Comprehensive Income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Other							
1. Balance as at December 31 of last year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	13,978,254,986.32	17,580,365,467.25

Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
2. Balance as at January 1 of the current year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	13,978,254,986.32	17,580,365,467.25
3. Increases/decreases in the current year ("-" for decreases)										2,237,608,384.38	2,237,608,384.38
(1) Total comprehensive income										4,950,186,784.38	4,950,186,784.38
(2) Capital contributed or reduced by owners											
a. Capital contributions by owners											
b. Capital contributions by other equity instruments holders											
c. Amounts of share-based payments recognized in owners' equity											
d. Others											
(3) Profit distribution										-2,712,578,400.00	-2,712,578,400.00
a. Withdrawal of surplus reserves											
b. Profit distributed										-2,712,578,400.00	-2,712,578,400.00

to owners (or shareholders)											
c. Others											
(4) Internal carry-forward of owners' equity											
a. Conversion of capital reserves into paid-in capital (or share capital)											
b. Conversion of surplus reserves into paid-in capital (or share capital)											
c. Surplus reserves offsetting losses											
d. Others											
(5) Special reserves											
a. Withdrawal for the period											
b. Use for the period											
(6) Others											
4. Balance as at December 31 of the current year	1,506,988,000.00				1,341,628,480.93				753,494,000.00	16,215,863,370.70	19,817,973,851.63

3. Basic Situation of the Company

Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.(hereinafter referred to as “the Company”)was established in 26 December 2002, verified by the Government of Jiangsu Province, details referred to *Reply on The approval of Establishment of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. by the provincial government (SuZhengFu [2002]No.155)*, and was a joint-stock company founded by Jiangsu Yanghe Group Co.,Ltd, Shanghai Haiyan Logistics Development Co.,Ltd, Nantong Zongyi Investment Co.,Ltd.,Shanghai Jieqiang Tobacco Sugar & Wine (Group) Co.,Ltd, Jiangsu Venture Capital Co.,Ltd, China National Research Institute of Food and Fermentation Industries Co. Ltd, Nantong Shengfu Industrial Trade Co., Ltd and Yang Yandong and other totally 14 nature persons. On 27 December, the Company obtained the unified social credit code (91460000201357188U) issued by Jiangsu Provincial Administration for Industry and Commerce. The registered capital was RMB 68 million and the share capital was 68,000,000 (1 yuan per share). According to the documents verified by Jiangsu Provincial Department of Finance (Su Cai Guo Zi [2002] No.178), all the fund capital converts into share capital according to the ratio 1:0.65561,among which, Jiangsu Yanghe Group Co.,Ltd contributed RMB 52,264,100 of evaluated physical assets and RMB 735,900 of currency, covered into 34,747,330 shares, accounting for 51.099% of the total share capital; Shanghai Haiyan Logistics Development Co.,Ltd contributed RMB 15,000,000 of currency, converted into 9,834,150 shares, accounting for the 14.462% of the total share capital; Nantong Zongyi Investment Co.,Ltd contributed RMB 15,000,000 of currency, converted into 9,834,150 shares, accounting for 14.462% of the total share capital; ShangHai Jieqiang Tobacco Sugar & Wine (Group) Co.,Ltd contributed RMB 7,000,000 of currency converted into 4,589,270 shares, accounting for 6.749% of the total share capital; Jiangsu Venture Capital Co.,Ltd contributed RMB 3,000,000 of currency converted into 1,966,830 shares, accounting for 2.892% of the total share capital; China National Research Institute of Food and Fermentation Industries Co. Ltd contributed RMB 1,000,000 of currency, converted into 655,611 shares, accounting for 0.964% of the total share capital; Nantong Shengfu Industrial Trade Co., Ltd contributed RMB 1,000,000 of currency, converted into 655,611 shares, accounting for 0.964% of the total share capital; Yang Yandong and other totally 14 nature persons contributed RMB 8,720,200 of currency, converted into 5,717,050 shares, accounting for 8.408% of the total share capital.

On 13 September 2009, the Company was verified by China Securities Regulatory Commission, according to the document *Reply on Approving Initial Public Offering of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. (Zheng Jian Approval [2009] No.1077)*. The Company announced the initial public offering of 45,000,000 common shares on 27 February 2009 and was listed for transactions in SZSE since 6 November 2009.

According to the decisions of 2010 Shareholders' General Meeting on 23 April 2011, based on the total capital of 450,000,000 shares on 31 December 2010, the capital reserves per 10 shares were converted into 10 shares. After the conversion, the total share capital of the Company was 900,000,000 as well as registered capital of RMB 900,000,000.

According to the decision of 2011 Shareholders' General Meeting on 17 May 2012, based on the total capital of 900,000,000 shares on 31 December 2011, the capital reserves per 10 shares were converted into 2 shares. After the conversion, the total share capital of the Company was 1,080,000,000 as well as registered capital of RMB 108,000,000.

According to the *Proposal of Initial Share Repurchase of Public Shares* approved by 2012 Shareholders' General Meeting on 17 May 2013, the Company used own funds to repurchase public shares and the price of public shares was no more than RMB 70.00 per share, as well as the total amount of repurchase shares was no more than RMB 10 billion. The way of repurchase was centralized competitive bidding approved by SZSE. Until May 2014, the amount of repurchase shares was 3,580,000 and the total amount of payment RMB 157,793,218.58. The shares repurchased had been canceled according to the law with the procedure of capital reduction. After the repurchase, the registered capital became RMB 1,076,420,000 and the total share capital of the Company became 1,076,420,000.

According to the decision of 2014 Shareholders' General Meeting on 26 May 2015, based on the total capital of 1,076,420,000 shares on 31 December 2011, the capital reserves per 10 shares were converted into 4 shares. After the conversion, the total share capital of the company was 1,506,988,000 as well as the registered capital of RMB 1,506,988,000.

Registered address of the Company: 118 Middle Avenue, Yanghe Town, Suqian City, Jiangsu Province

Company type: Incorporated company (Listed)

Industry of the Company: Brewing food industry

Business scope of the Company: production and sale of liquor, wholesaling and retailing of prepackaged food, grain purchase, self-operating and agency of import and export of various types of merchandise and technology excluding merchandise and technology limited or prohibited by the state for import and export, domestic trade, construction of e-commerce platform and online sales. (Business activities of projects needed to be approved by law must be approved according to related departments)

Parent company of the Company: Jiangsu Yanghe Group Co., Ltd.

The scope of the Company's consolidated financial statements is based on control, and all subsidiaries are included in the consolidation scope of the consolidated financial statements.

Changes of the scope of consolidation are as follows:

3.1 Subsidiaries that are newly incorporated into the scope of consolidation are shown in the following table:

Name	Measure of gaining
ZYG TECHNOLOGY INVESTMENT LTD	Merger of enterprises under different controlling group
Guizhou Welcome Drink Stock Co., Ltd	Merger of enterprises under different controlling group
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co., Ltd.	Merger of enterprises under different controlling group
Suqian Sujiu Logistics Co., Ltd.	Establishment
Jiangsu Blue Dream E-commerce Co., Ltd.	Establishment
Jiangsu Yanghe Weiketang Network Technology Co., Ltd.	Establishment

3.2 Subsidiaries that are no longer incorporated into the scope of consolidation are shown in the following table:

Name	Reason
Taizhou Mengye Trading Co.,Ltd.	Liquidation and cancellation
Siyang Yanghe Package Service Co.,Ltd.	Liquidation and cancellation

Details of the subsidiaries incorporated into the consolidated financial statements show on '9. Interests in subsidiaries', Changes in the scope of consolidation show on '8, change in consolidated scope'.

4.Basis of Preparation of Financial Statements

4.1.Basis of preparation of financial statements

The company has prepared its financial statements on a going concern basis, and recognized and measured its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

4.2. Going concern

The Company has sustainable operation ability for at least 12 months from the end of the reporting period. In addition, there is no significant event affecting going concern.

5.Significant accounting policies and accounting estimates

Whether the Company needs to comply with the requirement of special industry

No

The notes of detailed accounting policies and accounting estimates:

Refer to Note 5 the Change of significant accounting policies and accounting estimates

5.1. Statement of compliance with the ASBE

The financial statements of the company have been prepared in accordance with ASBE, and present truly and completely, the group's financial position, the Company's and results of operations, and changes in shareholders' equity, cash flows and other related information for the reporting period.

5.2. Accounting period

The Company's accounting period is calendar year as its accounting year, i.e. from January 1st to December 31st.

5.3. Operating cycle

The Company's accounting period is 12 months.

5.4. Functional currency

The Company has adopted China Yuan (RMB) as functional currency.

5.5. The accounting treatment of business combinations involving enterprises under common control and not under common control

5.5.1. Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method. Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the combine's accounting record on the combination date. The share of the book value of the merged party's owner's equity in the consolidated financial statements is taken as the initial investment cost of long-term equity investments in individual financial statements. The capital reserve (stock premium or capital premium) is adjusted according to the difference between initial investment cost and the book value of consideration paid for the combination (including paid cash, transferred non-cash assets, book value of liabilities incurred or assumed or total par value of shares issued). If the capital reserve (stock premium or capital premium) is insufficient to offset, the retained earnings shall be adjusted.

5.5.2. Accounting treatment method of business combination not under common control

The Company accounts for business combination not under common control under purchase method.

All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.

A.The cost of acquisition shall be respectively determined for the following conditions;

1.Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments.

2.Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.

B.The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired

1.All assets of the acquiree obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.

2.Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.

3.All liabilities of the acquiree obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.

4.Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.

5.When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.

C.Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination

1.The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill. The Company shall not amortize the goodwill after initial recognition, but shall conduct impairment test at the end of the year. The goodwill is measured at the amount of its cost minus accumulated provision for the impairment.

2.The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:

2.1Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;

2.2After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

5.5.3. Treatment of relevant expenses arising from the Company's business combination

A.Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.

B.Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.

1.Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;

2.Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.

C.Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.

1.Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);

2.Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

5.6.Preparation of consolidated financial statements.

5.6.1. Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

5.6.2. Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

5.6.3. Reflection of excess losses incurred to a subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling shareholders excess those non-controlling shareholders' share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

5.6.4. Changes in number of subsidiaries during the reporting period

A.Acquisition of subsidiaries during the reporting period

1.Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The income,

expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

2.Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

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

B.Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

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

5.7.1. Classification of joint venture arrangements

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures only have the rights to the net assets under this arrangement.

A joint arrangement that is not structured through a separate vehicle shall be classified as a joint operation. A separate vehicle refers to a separately identifiable financial structure, including separate legal entities or entities without a legal personality but recognized by statute.

A joint arrangement that is structured through a separate vehicle is usually classified as a joint venture. However, when a joint arrangement provides clear evidence that it meets any of the following requirements and complies with applicable laws and regulations as a joint operation:

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

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

5.7.2. Accounting treatment of a joint operation

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- a) Its solely-held assets, and its share of any assets held jointly;
- b) Its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- c) Its revenue from the sale of its share of the output arising from the joint operation;
- d) Its share of the revenue from sale of the output by the joint operation; and
- e) Its solely-incurred expenses and its share of any expenses incurred jointly.

5.8.Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand.

Cash equivalents are the company's short-term (due within 3 months from purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.9.Foreign currency transactions and translation of foreign currency statements

5.9.1. Accounting method of foreign currency transactions

A.Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

B.Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

1.Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency loans relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

2.Accounting principles for handling foreign currency non-monetary items

a) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.

b) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.

c) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

5.9.2. Accounting treatment method for translation of foreign currency statements

A.The Company shall translate the financial statements of foreign operations in accordance with the following methods:

1.Assets and liabilities in the balance sheets shall be translated at the spot exchange rates on balance sheet date. Shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the dates when the transactions occur.

2.Revenue and expense items in the income statement are translated at the spot exchange rates on the dates when the transactions occur or at the exchange rate determined in a systematical and reasonable method and similar to the spot exchange rate on the day when the transactions occur.

3.Differences arising from the above translations of foreign currency financial statements are separately listed under 'other comprehensive income' in the consolidated balance sheet.

a) The Company shall translate the financial statements of foreign operations that are in virulent inflation economy in accordance with the following methods:

i.The Company restates the items in the balance sheet by using the general price index, and restates the items in the income statement by using the changes in general price index, and then converts those items at the spot exchange rate on the latest balance sheet date.

ii. Where the foreign operations are no longer in virulent inflation economy, the Company ceases to restate the financial statements and converts the financial statements restated according to the price level on such cease.

b) Where the Company disposes of an overseas business, it shall transfer the foreign currency financial statements exchange difference, which relates to the business disposed of and is presented under the items of the other comprehensive income in the balance sheet, from the other comprehensive income

item to the gain or loss on disposal for the current period. If the overseas business is partly disposed of, the foreign currency financial statements exchange difference shall be calculated in proportion to the percentage of disposal and transferred to gain or loss on disposal for the current period.

5.10. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

5.10.1. Classification of financial instruments

A. Classification of financial assets

Based on business characteristics, investment strategies and risk management requirements, the Company classifies the financial assets it has obtained into the following four categories: (1) financial assets measured at fair value through current profit and loss; (2) held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets.

Financial assets measured at fair value through current profit and loss include: (1) financial assets held for trading ; (2) financial assets directly designated to be measured at fair value through current profit and loss; (3) investments in subsidiaries that shall not be consolidated by the investment entities ; (4) investments held by venture capital organizations, mutual funds or similar entities.

The equity investment which hasn't control , joint control or significant influence over the investee, based on business characteristics, investment strategies and risk management requirements, can be divided into the first kind of financial assets measured at fair value through current profit and loss or the fourth kind of available-for-sale financial assets. In some special cases, the equity investment can be measured under the cost method.

B. Classification of financial liabilities

Based on business characteristics and risk management requirements, the Company classifies the financial liabilities it undertakes into the following two categories: (1) financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities directly designated to be measured at fair value through current profit and loss); and (2) other financial liabilities.

5.10.2. Recognition basis and measurement method of financial instruments

A. Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

B. Measurement method of financial instruments

1. Financial assets or financial liabilities measured at fair value through current profit and loss: they are initially measured at the amount of fair value upon acquisition, and relevant transaction expenses are included in the current profit and loss when incurred. For cash dividends declared but not distributed or bond interest matured but not drawn that have been included in the actual price paid, they shall be

separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, they shall be measured at fair values and the changes in their fair values shall be included in current profit or loss. When disposing of a financial asset held for trading, the Company recognizes the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of the financial asset held for trading on the disposal date, and transfers the accumulative amount previously included in profit or loss on changes in fair value to the investment income.

2.Held-to-maturity investments: they are initially measured at the total amount of their fair values upon acquisition and related transaction expenses. For bond interest matured but not drawn that is included in the actual price paid, they are independently recognized as interest receivable. Interest income is calculated and recognized during the holding period according to the amortized cost and effective interest rates, and included in the investment income. The effective interest rate is determined upon acquisition, and remains unchanged during the expected duration or any applicable shorter period. On the balance sheet date, they are measured at amortized costs. Upon disposal, the difference between the actual proceeds (interest receivable, if any, shall be deducted) and the book value of the held-to-maturity investment is recognized as investment income.

3.Loans and receivables: mainly refer to the loans issued by financial enterprises and creditor's rights receivable arising from external sales of goods or rendering of service by enterprises. It is measured based on amortized cost by adopting effective interest method. The sum of principal and related trading expenses of loans issued by financial enterprises according to current market conditions is recognized as initial recognition amount. For creditor's rights receivable arising from external sales of goods or rendering of service by enterprises, their initial recognition amounts shall be the contract price or agreement price receivable from the purchaser. Receivables' interest income is recognized under the effective interest method. Upon recovery or disposal, the difference between the price received and the book value of a receivable is included in the current profit and loss.

4.Available-for-sale financial assets: they are initially recognized at the sum of fair value upon acquisition and relevant transaction expenses. For cash dividends declared but not distributed or bond interest matured but not drawn that has been included in the actual price paid, it shall be separately recognized as dividends receivable or interest receivable. Cash dividends or bond interest gained during the holding period shall be recognized as investment income. On the balance sheet date, the available-for-sale financial assets are measured at fair values and the changes in their fair values are included in other comprehensive income. Upon disposal, the difference between the payment actually received (dividends receivable or interest receivable, if any, shall be deducted) and the book value of an available-for-sale financial asset shall be included in investment income; and meanwhile, the amount arising from the accumulated changes in fair value, which have been previously included in other comprehensive income, shall be transferred out and included in the investment profit or loss.

5.Other financial liabilities: they are initially recognized at fair values at the time of occurrence plus related transaction costs. Other financial liabilities, whose interest expenses are recognized by using the effective interest method, are measured at their amortized costs on the balance sheet date.

5.10.3. Recognition basis and measurement method of transfer of financial assets

A.Derecognition criteria of financial assets

When transfer of financial assets occurs, if nearly all of the risks and rewards of ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards of ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

When determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the Company adopts the principle of substance over form.

B.Treatment of transfer of financial assets satisfying the criteria of derecognition

The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset.

1.If the entire transfer of financial asset satisfies the criteria of derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

- a) The book value of the transferred financial asset;
- b) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

2.If the partial transfer of financial asset satisfies the criteria of derecognition, the entire book value of the transferred financial asset shall be divided between the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in the current profit and loss:

- a) The book value of derecognized part;
- b)The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in other comprehensive income (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

3.Treatment of transfer of financial assets not satisfying the criteria of derecognition

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

5.10.4. Derecognition criteria of financial liabilities

A.A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

B.Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability wholly or partly, and at the

same time recognize the financial liability with revised contractual stipulations as a new financial liability.

C.Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

D.Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire book value of financial liabilities according to the comparative fair value of the part that continues to be recognized and derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

5.10.5. Method to determine the fair value of financial instrument

A.The fair value of a financial asset or financial liability for which there is an active market shall be determined in accordance with the quoted price in such active market at the measurement date.

B.The fair value of a financial asset or financial liability for which there isn't an active market shall be using valuation techniques. The recognition of the specific principles and methods are dealt with under "Accounting Standard for Business Enterprises No.39—Fair Value Measurement".

5.10.6. Criteria to identify, way to test and method to provide for the impairment of financial assets (excluding receivables)

On the balance sheet date, the Company shall check the book values of its financial assets (excluding the financial assets measured at fair value through current profit and loss), whether on an individual basis or on a combination basis, recognizes impairment losses on the financial assets with objective evidence of impairment, and provides reserves for the impairment. The objective evidence of impairment of a financial asset includes the serious financial difficulties faced by the issuer or debtor, potential bankruptcy or other financial reorganization incurred to the debtor, and the incapability of the financial asset to be continuously traded in active market caused by the serious financial difficulties incurred to the issuer, severe or prolonged decline in the fair value of equity instrument investment and other adverse situations.

Methods to test and make provision for impairment of held-to-maturity investment

On the balance sheet date, if there is any objective evidence showing that any impairment has occurred to a held-to-maturity investment, the impairment loss is recognized at the difference between its book value and its present value of estimated future cash flows.

1.For a held-to-maturity investment that is individually significant, the Company conducts separate impairment test. If there is any objective evidence of impairment, the Company recognizes the impairment losses at the difference of its present value of estimated future cash flows in short of its book value, and shall accordingly make the provision for such impairment.

2.For held-to-maturity investments that are individually insignificant and held-to-maturity investments that are individually significant but have no impairment according to the separate test, they are divided into several groups according to similar credit risk characteristics. The impairment losses and provisions for impairment of these groups are calculated and determined based on certain proportions of their

balances on the balance sheet date.

3.Methods to test and make provision for impairment of available-for-sale financial asset

On the balance sheet date, if there is any objective evidence showing that an available-for-sale financial asset is impaired, the impairment provision shall be accrued and the impairment loss shall be recognized. For an equity instrument investment, if significant or non-temporary decline in fair value of the available-for-sale equity investment is found after giving comprehensive consideration to relevant factors, it can be concluded that the available-for-sale equity investment is impaired. The "significant decline" refers to a cumulative decline in the fair value exceeding 50% of the cost; and the "non-temporary decline" refers to a continuous decline in the fair value of more than 12 months.

When making provision for the impairment of an available-for-sale financial asset, the accumulated loss arising from the decline in fair value that is previously included in other comprehensive income shall be transferred out and included in the current profit and loss. The accumulated loss transferred out shall be balance of the available-for-sale financial asset's initial acquisition cost after deducting the principal recovered and amortized amount, present fair value and impairment loss previously recorded in profit or loss.

After the recognition of an impairment loss, if there is objective evidence showing that the value of financial assets has been recovered and such recovery is objectively related to the events occurring after the recognition of such loss, the impairment loss previously recognized shall be reversed, the impairment loss of available-for-sale equity investment shall be reversed and recognized as other comprehensive income, and the impairment loss of available-for-sale debt instrument shall be reversed and included in the current profit and loss.

For an equity instrument investment that has no quoted price in active market and whose fair value cannot be reliably measured, or a derivative financial asset that is linked to the equity instrument and settled through delivery of such equity instrument, when they are impaired, the difference between the book value of the financial asset and the present value of future cash flows discounted based on the prevailing market rate of return for a similar financial asset shall be recognized as an impairment loss and included in the current profit and loss. Once recognized, the impairment loss shall not be reversed.

5.10.7. Accounting treatment method of reclassifying the undue held-to-maturity investments as available-for-sale financial assets

Where it is not suitable to classify one investment as a held-to-maturity investment any more due to the change in intention or ability to hold the investment, the Company shall reclassify such investment as available-for-sale financial assets; where the Company partly disposes or reclassifies a held-to-maturity investment large in amount, and such disposal or reclassification does not arise from any independent event that is not under the control of the Company, not expected to recur and difficult to reasonably anticipated, the remaining portion of the investment shall also be classified as available-for-sale financial asset.

5.11.Receivables

5.11.1. Individually significant receivables whose provisions are made separately

Recognition criteria of individually significant receivables	Individually significant receivables refer to accounts receivable whose ending balances are over RMB5,000, 000.
Provision method of individually significant receivables	On the balance sheet date, the Company separately conducts impairment tests on those individually significant receivables. If there is any objective evidence of impairment, an impairment loss is recognized and a provision for bad debt is made, according to the difference of the present value of estimated future cash flows in short of the book value; Individually significant receivables that are proved to be not impaired according to the tests shall be incorporated into other individually insignificant receivables, and their provisions for bad debts shall be made by using the aging analysis method based on their ending balances. Objective evidence of impairment incurred to receivables includes: (1) the debtor has significant financial difficulty; (2) the debtor violates contractual terms (such as the breach of contract or delay in repaying interest or principal); (3) a concession is made to the debtor in financial difficulty after considering economic or legal reasons; (4) the debtor is likely to face bankruptcy or other debt restructuring.

5.11.2. Receivables whose bad debt provisions are made by portfolio

Portfolio name	Provision method of bad debt
Aging Portfolios	Aging analysis method
Other Portfolios	Other method

Among portfolios, adopting aging analysis method:

☒ Applicable ☐ N/A

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 Year (Inclusive)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 Years	30.00%	30.00%
3-4 Years	50.00%	50.00%
4-5 Years	80.00%	80.00%
Over 5 Years	100.00%	100.00%

Among portfolios, adopting percentage of balance method:

☐ Applicable ☒ N/A

Among portfolios, adopting other method:

☐Applicable ☒ N/A

5.11.3. Individually insignificant receivables whose provisions are made separately

Reason for making provision for bad debt separately	Individually insignificant receivables refer to accounts receivable whose ending balances are less than RMB5,000, 000.
Provision method of bad debt	The Company carries out separate impairment tests on receivables that are individually insignificant but have the following characteristics (such as receivables involved in dispute or litigation with the debtor and requiring arbitration; and receivables for which there are clear indications that the debtor is unable to fulfill the repayment obligations). If there is any objective evidence of impairment, the Company shall recognize the impairment loss and make the bad debt provision according to the difference of the present value of future cash flows in short of the book value. Meanwhile, for receivables that are individually insignificant after the bad debt provisions separately made are deducted, their bad debt provisions shall be made according to principles applied to portfolios of receivables with similar credit risk characteristics by aging.

5.12.Inventory

Whether the Company needs to comply with the disclosure requirement of special industry.

No

5.12.1. Classification of inventory

Inventories are classified as: raw materials, goods in progress, stock commodities, consigned processing materials, revolving materials (including low-cost consumables, etc.

Measurement method of dispatched inventories

Dispatched materials and stock commodities are accounted for by using the weighted average method.

5.12.2. Basis to determine net realizable values of inventories and method of provision for diminution value of inventories

A.Determination basis of net realizable values of inventories

1.In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their

estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.

2. In normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

3. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

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

B. Provision for diminution in value of inventory

Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis. For inventories with large quantity and relatively low unit prices, the provision for loss on decline in value of inventories shall be made on the ground of the categories of inventories.

5.12.3. Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

5.12.4. Amortization method of revolving materials

A. Amortization method of low-cost consumables:

Low-cost consumables are amortized in full at once.

B. Amortization method of packaging materials

Packing materials are amortized in full at once when fetched for use by the Company.

5.13. Assets held for sale

A. Scope of assets held for sale and disposal groups

The Company will classify the non-current asset or disposal groups as asset held for sale when the Company recover the book value of non-current or disposal group mainly by selling (including exchange of non-monetary assets with commercial nature) rather than continuous usage.

Disposal group refers to a group of assets recognized as a whole to be sold or disposed by other ways in a transformation and the liabilities directly related to these assets in this transformation.

B. Recognition condition of assets held for sale and disposal groups

The Company recognizes the non-current assets or disposal groups which meet with the following

conditions as assets held for sale:

The assets or disposal groups will be immediately sold according to the usual terms of selling this kind of components under the current conditions;The transformation will most likely occur,and namely the Company had made a decision on the transformation and obtained certain purchase commitments. The transformations should be completed within 1 years. The components shall be sold after gaining the approval from the relevant authority institutions of the Company or supervision department according to the regulations

C.Accounting treatment method and presentation of assets held for sale and disposal group

The Company measures the book value of the non-current assets or disposal groups according to relevant accounting standards before classifying them as assets held for sale for the first time.

When the Company initially measures or remeasures the non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than its fair value minus selling expenses, the book value shall be written down to the fair value minus selling expenses. The amount written down is recognized as an impairment loss and it is included in current profits and losses. Meanwhile, the provision for assets held for sale shall be made. For the amount of impairment losses of disposal groups held for sale, firstly it deducts the book value of goodwill in the disposal groups,and then deducts the book value in proportion according to the proportion of the book value of each non-current asset to the total book value. The non-current assets held for sale are not depreciated or amortized.

The non-current assets held for sale or assets in the disposal groups held for sale cannot offset the liabilities in the disposal groups. They should be separately listed as current assets and current liabilities.

For the Company that loses control of its subsidiaries because of selling its investment in subsidiaries, whether the Company retain a part of equity investment or not, the investment in subsidiaries shall be classified as assets held for sale as whole in the individual financial statements of the parent company and all assets and liabilities of the subsidiaries shall be classified as assets held for sale in the consolidated financial statement, when the investment in subsidiaries planned to be sold meets the classifying conditions of the assets held for sale.

5.14. Long-Term Equity Investment

5.14.1. Recognition of the initial investment costs of long-term equity investments

A.For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with the provisions mentioned in Note 3.5, Accounting Method for Long-term Equity Investment from Business Combinations under Common Control and Business Combination not under Common Control.

B.Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:

1.For the long-term equity investments obtained by cash paid, the Company recognizes the actual purchase price as the initial investment costs. The initial investment costs include directly related

expense, taxes and other necessary expenses of obtaining long-term equity investments.

2.For the long-term equity investments acquired by the issue of equity securities (equity instrument), the initial investment cost shall be the fair value of the equity securities (equity instrument) issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities (equity instrument), including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities (debt instrument) , reference through the issuance of equity securities (equity instrument).

3.For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.

4.For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profits declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

5.14.2. Subsequent measurement and recognition of gains and losses of long-term equity investments

A.If the Company can control an investee, namely investment in subsidiary, the long-term equity investment shall be measured under the cost method.

For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

B.Long-term equity investments measured under the equity method

1.For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.

2. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.

3. After obtaining the long-term equity investments, the Company shall, according to the shares of net profits and other comprehensive income realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses and other comprehensive income of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments thereafter shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

5.14.3. Basis for judgment of common control or significant influence over the investee

A. Basis for judgment of common control over investee

Common control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

B.Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

5.15. Fixed assets

5.15.1. Recognition of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

A.It is probable that the economic benefits relating to the fixed assets will flow into the Company;

B.The cost of the fixed assets can be measured reliably.

5.15.2. Depreciation of fixed assets

Category	Estimated Useful Life (Yr)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)	Estimated Useful Life (Yr)
Buildings& Constructions	Straight-line method	20~25	5	3.80~4.75
Machinery Equipments	Straight-line method	10	5	9.50
Transportation Equipments	Straight-line method	10	5	9.50
Other Equipments	Straight-line method	8	5	11.88

A.Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.

B.Depreciation of fixed assets of the Company is provided for on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.

C.When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

D.On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

E.Decoration expense of fixed assets that meet the condition of capitalization shall be depreciated separately by adopting straight-line method within the short period between twice decoration and useful life of the fixed assets.

5.15.3. Recognition standard, valuation method and depreciation method for fixed assets acquired under financing lease

A.At the inception of the lease, the Company recognizes the leased fixed assets meeting the standards for financial leases as fixed assets acquired under financing leases.

B.At the inception of the lease, the Company shall state the assets acquired under financing lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments, as well as the initial and direct expenses occurred, recognize a long-term payable at the amount of the minimum lease payments, and shall charge the difference of the lower of the fair value of the leased assets or the present value of the minimum lease payments and the minimum lease payments to unrecognized finance expenses. Unrecognized finance expenses shall be amortized at the effective interest rate method in each period during the lease term.

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

5.16. Construction in Progress

Whether the Company needs to comply with the disclosure requirement of special industry.
No

5.16.1. Categories of Constructions in Progress

Constructions in progress are accounted on individual project basis.

5.16.2. Criteria and Commencement of Conversion of Constructions in Progress into Fixed Assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

5.17. Borrowing costs

5.17.1. Scope of borrowing costs

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency loan, etc.

5.17.2. Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

5.17.3. Recognition of capitalization period of borrowing costs

A. Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by cash payment, the transfer of non-cash assets or the

undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

B.Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

C.Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If all parts of the acquired and constructed or produced assets are completed, each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

5.17.4. Recognition of capitalized amounts of borrowing costs

A.Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

1.As for special loan borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special loan actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

2.As for general loans used for acquiring and constructing or producing assets eligible for capitalization, the interest of general loans to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special loans by the capitalization rate of used general loans. The capitalization rate is calculated by weighted average interest rate of general loans.

3.Where there are discounts or premiums on loans, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by

effective interest method.

4. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant loans.

B. Recognition of capitalized amounts of auxiliary expenses of loans

1. Auxiliary expenses incurred from special loans before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.

2. Auxiliary expenses incurred from general loans shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.

C. Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency loans should be capitalized and included in the costs of the assets eligible for capitalization.

5.18. Intangible Assets

5.18.1. Measurement, Useful Life and Impairment Test

A. Initial measurement of intangible assets

Initial measurement of outsourcing intangible assets

Costs of outsourcing intangible assets shall be recognized according to the purchase price, related taxes and other expenses directly attributed to reaching the working condition for their intended use. The cost of intangible assets shall be recognized based on present value of purchase price when deferred payment over normal credit conditions with financial nature. The difference between actual payment and purchase price, expect for capitalized amount, shall be included into the current profit and loss in the period of credit.

Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and

expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

B.Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

1.Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced thereafter, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	50	0	2.00
Trademark	7-10	0	14.29-10.00
Computer software	10	0	10.00

The useful lives and amortization methods of intangible assets with limited useful lives on the balance sheet date shall be reviewed.

2.Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period, but impairment tests are performed at the end of each year.

3.Estimates of useful lives of intangible assets

a) For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.

b)Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.

c)If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with

indefinite useful lives.

5.18.2. Accounting policies of internal research and development expenditure

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a)Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b)Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- a)It is technically feasible to finish intangible assets for use or sale;
- b)It is intended to finish and use or sell the intangible assets;
- c)The usefulness of intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- d)It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- e)The expenditure attributable to the intangible asset during its development phase can be measured reliably.

5.19. Impairment of long-term assets

For the long-term equity investments, investment properties measured at cost model, fixed assets, construction in progress and intangible assets with limited useful lives, if there are signs of impairment, an impairment test will be conducted on the balance sheet date. If the result of impairment test indicates that recoverable amount of the asset is lower than its book value, the difference should be recognized as a provision for impairment and recognized in impairment losses. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses and the present value of its estimated future cash flows. The provision for impairment shall be calculated and recognized based on individual assets. If it is difficult to estimate the recoverable amount of the individual asset, the Company

will estimate the recoverable amount of the asset group that the individual asset belongs to.

Asset group is the smallest asset portfolio that is able to generate independent cash flow.

The Company should conduct an impairment test on goodwill and intangible assets with indefinite useful lives at least at the end of each year whether there is an indication of impairment.

When the Company conducts an impairment test on assets, the book value of goodwill formed by business combination shall be apportioned to related asset groups by reasonable method from the date of purchase. If it is difficult to be apportioned to relevant asset groups, it shall be apportioned to relevant portfolio of asset groups. When apportioning the book value of goodwill to relevant asset groups or portfolio of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or portfolio of asset groups to the total fair value of the relevant asset groups or portfolio of asset groups. If the fair value is difficult to be measured reliably, it shall be apportioned on the basis of the proportion of the book value of each asset group or portfolio of asset groups to the total book value of the relevant asset groups or portfolios of asset groups. When conducting an impairment test on the relevant asset groups or portfolio of asset groups containing goodwill, if there is an indication of impairment of asset groups or portfolio of asset groups related to the goodwill, the Company shall first conduct an impairment test on the asset groups or portfolio of asset groups, calculate the recoverable amount, compare it with the relevant book value and recognize the corresponding impairment loss. Then the Company shall conduct an impairment on the asset groups or portfolio of asset groups containing goodwill, and compare the book value of these relevant asset groups or portfolio of asset groups (including apportioned part of the book value of goodwill) with the recoverable amount. If the recoverable amount of relevant asset groups or portfolio of asset groups is lower than its book value, the impairment loss of the goodwill shall be recognized.

Once the above impairment losses are recognized, it is not allowed to be reversed in subsequent period.

5.20. Long-term deferred expenses

5.20.1. Scope of long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

5.20.2. Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

5.20.3. Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

5.21. Employee benefits

5.21.1. Accounting Treatment of Short-term Benefits

Short-term benefits are the benefits that the Company expect to pay in full within 12 months after the

reporting period in which the employee provided relevant services, excluding the compensation for employment termination.

Short-term benefits include: wage, bonus, allowance and subsidy; employee welfare, social securities including health insurance and work injury insurance; housing common reserve fund; union expenditure and employee training expenditure; short-term paid leave; short-term profit-sharing; non-monetary welfare and other short-term benefits.

Actual short term benefits will be recognized as liability during the accounting period in which the employee is providing the relevant service to the Company. The liability will be included in the current profits and losses or the cost relevant assets.

5.21.2. Accounting Treatment of Post-employment Benefits

The defined contribution plan of the Company include payments of basic pension, unemployment insurance, annuity, etc. that accord to relevant provisions. The amount which the Company deposit on balance sheet date in exchange for the service of the employee during the accounting period will be recognized as employee benefits liability and shall be included into the profit or loss for the current period.

5.21.3. Accounting Treatment of Termination benefits

Termination benefits are the benefits the Company provide to the employee when the Company terminates the employment before labor contract expires or encourages voluntary resignation. Employee benefits liabilities shall be recognized and included into profit or loss for the current period on the earlier date of the two following circumstances:

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

5.21.4. Accounting Treatment of Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term benefits, post-employment benefits and termination benefits. At the end of reporting period, the company will recognize the employee benefits cost from other long-term employee benefits as the following components:

- A. Service cost;
- B. Net amount of interest from other long-term employee benefits net liabilities or assets;

C.Changes from recalculation of the net liabilities or assets from other long-term employee benefits.

In order to simplify related accounting procedure, the net amount of the above subjects shall be included into current profit or loss or the cost of relevant assets.

5.22. Provisions

A.Recognition principals of provisions.

The Company should recognize provisions. When the related obligation of contingent events including external guarantee, pending litigation or arbitration, product quality assurance, onerous contract and restructuring meets the following three conditions:

1. The obligation is a present obligation of enterprise
2. it is probable to have an outflow of economic benefits of the enterprise since implementation of obligation.

A reliable estimate can be made of the amount of the obligation.

B. Measurement method of estimated liability

The amount of estimated liability should be the best estimate of the expenditure required to settle the liability. Where there is a range of possible amounts of expenditure required to settle the liability, the best estimate should be determined according to the average of the lower and upper limit of the range.

Under other circumstance, the best estimate should be determined in accordance with the following methods:

- 1.Where the contingency involves a single item, the best estimate should be determined according to the most likely outcome;
- 2,Where the contingency involves several items, the best estimate should be determined by weighting all possible outcomes by their associated probabilities of occurrence.

5.23. Revenue

Whether the Company needs to comply with the requirement disclosure of special industry

No

Operating revenue of the Company mainly includes revenue from sales of goods, revenue from rendering of service and revenue from transfer of asset use right, for which the recognition principles are as follows:

5.23.1. Recognition principals of revenue from sales of goods

Revenue from sales of goods is recognized when the Company has transferred significant risks and rewards of ownership of the goods to the purchaser; the Company retains neither continuing managerial involvement usually related to the ownership nor effective control over the sold goods; revenues can be measured reliably; the relevant economic benefits are highly likely to flow into the Company; and the relevant costs incurred or to be incurred can be measured reliably.

The Company's specific condition of revenue recognition is that revenue is recognized after customer

acceptance based on receiving payment or obtaining the rights of claiming payment for goods according to signed sales contracts or agreements.

The Company offers a certain percentage discount to dealers according to marketing policies and sales status of dealers of liquor products. The settlement with dealers is made regularly or irregularly. The sales revenue is recognized based on (net) invoice amount after discount when the discount is included to invoice. According to accrual basis principle, the discount incurred but not yet settled shall be recognized in sales revenue and included to other payables.

5.23.2. Recognition principals of revenue from rendering of service

Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions can be estimated reliably

The Company recognizes revenue from rendering of service using the percentage-of-completion method on the balance sheet date when the outcome of service transactions can be estimated reliably.

When the amount of revenues can be measured reliably, related economic interests are likely to flow into the company, schedule of completion of the transitions can be measured reliably and the cost of transactions incurred or to be incurred can be measured reliably, the outcome of service transactions can be estimated reliably.

Recognition principals of revenue from rendering of service under the circumstance that the outcome of service transactions cannot be estimated reliably

If the outcome of rendering of services on the balance sheet date cannot be measured reliably, the revenues from rendering of services shall be recognized according to the following three conditions:

A.If the labor costs that have already incurred can be fully compensated, the revenues from rendering of services are recognized at the amounts recovered or expected to be recovered and the labor costs that have already incurred shall be carried forward;

B.If the labor costs that have already incurred can be partially compensated, the revenues from rendering of services are recognized at the recoverable amounts of compensated labor costs and the labor costs that have already incurred shall be carried forward;

C.If it is expected that all the labor costs that have already incurred cannot be compensated, the labor costs that have already incurred are included into the current profit and loss (costs of primary business) and the revenues from rendering of services are not recognized.

5.23.3. Recognition principals of revenue from transfer of asset use right

When economic benefits related to transactions are highly likely to flow into the Company and the amount of revenue can be reliably measured, the revenue from transfer of asset use right is recognized.

5.24. Government grants

5.24.1. Judgement basis and accounting treatment method of government grants related to assets

Government grants related to assets refer to the government grants obtained by enterprises for the purchase and construction of long-term assets or other ways to form the long-term assets.

The government grants related to assets shall be recognized to write down the book value of related assets or as deferred income at the actual entry amount on acquisition. The latter shall be allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.

5.24.2. Judgement basis and accounting treatment method of government grants related to income

Government grants related to income refer to the government grants beyond the scope of government grants related to assets.

Government grants related to income shall be separately handled according to the following circumstances:

A. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss or to write down related expenses during the period of recognition of the relevant expenses.

B.

B..If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss or to write down related expenses on acquisition.

5.25. Deferred tax assets and deferred tax liabilities

The Company adopts the balance sheet liability method to account for income tax.

5.25.1. Recognition of deferred tax assets or deferred tax liabilities

A.The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.

B.Recognition basis of deferred tax assets

1.Deferred tax assets incurred from deductible temporary differences are recognized to the extent that

they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

2. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.

3. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.

C. Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill; transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

5.25.2. Measurement of deferred tax assets or deferred tax liabilities

A. On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.

B. Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.

C. When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.

D. Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

5.26. Lease

5.26.1. Accounting treatment method of operating lease

The rents from operating leases shall be recorded by the lessee in the relevant asset costs or profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred shall be recognized as the profits and losses of the current period. The

contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

A lessor shall include the assets subject to operating leases in relevant items of its balance sheets in light of the nature of the asset. The rents from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred to a lessor shall be recorded into the profits and losses of the current period. As for the fixed assets subject to operating leases, the lessor shall calculate the depreciation of it by adopting depreciation policy for similar assets. As for other leased assets, systematic and reasonable methods shall be adopted for its amortization. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

5.26.2. Accounting treatment method of financing lease

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and travelling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. Unrecognized financing charges are apportioned in each period of lease term. The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivables, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. Unrealized financing income is apportioned in each period of lease term. The lessor shall calculate the financing income at the current period by adopting the effective interest rate method. Contingent rents shall be recorded into the profits and losses of the period in which they actually arise.

27, Changes in significant accounting policies and accounting estimates

27.1 Changes in significant accounting policies

√ Applicable □ N/A

Content and reason of changes in accounting policies	Procedure for examination and approval	Notes
1, Since 1 January 2017, the government grants related to the Company's daily activities has	Deliberations of the third session of the sixth board of directors	

been adjusted from “Non-operating expenses” to “Other income”. Comparative data was not adjusted. 2, Disposal gains and losses from assets originally listed in “Non-operating income” and “Non-operating expenses” were reclassified to the newly added item “Asset disposal income” in the income statement. Comparative data was adjusted.		
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In 2017, the Ministry of Finance issued *The Accounting Standards for Enterprises No.42- Non-current assets held for sale, disposal group and termination of operation*. It has been implemented since 28 May 2017. The non-current assets, disposal group and termination of operation existing in the implement date are treated by prospective application.

In 2017, the Ministry of Finance revised *The Accounting Standards for Enterprises No. 16- Government Grants*. Since 12 June 2017, the government grants existing in 1 January have been treated by prospective application. The newly added government grants from 1 January 2017 to the implementation date are adjusted according to the revised standard.

In 2017, the Ministry of Finance issued *Notice of the Ministry of Finance on Revising the format of general corporate financial statements*. It revises the formation of general corporate financial statements. It is applicable for financial statements of fiscal year 2017 and subsequent periods.

The above changes in significant accounting policies were approved by the third session of the sixth board of directors. The adjustment were made by the Company based on requirements of the above standards and notices. The financial report items and affected amounts as follows:

Content and reason of changes in accounting policies	Name of affected report items	Affected amount in the current period	Affected amount in the same period last year
(1) Since 1 January 2017, the government grants related to the Company’s daily activities has been adjusted from “Non-operating expenses” to “Other income”. Comparative data was not adjusted.	Non-operating income	-44,745,640.94	N/A
	Other income	44,745,640.94	
(2) Disposal gains and losses from assets originally listed in “Non-operating income” and “Non-operating expenses” were reclassified to the newly added item “Asset disposal income” in the income statement. Comparative data was	Non-operating income	-43,724.37	-727,962.06
	non-operating expenses	-8,642,568.48	-6,551,591.02
	Asset disposal income	-8,598,844.11	-5,823,628.96

adjusted.			
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5.27.2. Changes in significant accounting estimates

☐ Applicable ☒ N/A

6.Taxes

6.1.Major tax types and rates

Tax Type	Taxation Basis	Tax Rate
Value-added tax (VAT)	Output VAT—Deductible input VAT	[Note1]17%,13%,11%,6%,19%
Consumption tax	Sales or composite assessable price	[Note2]
Utility maintenance tax	Applicable turnover tax amount	7%,5%
Corporate income tax	Applicable income tax rate	25%,16.5%,0%,27%

Disclosure statement if there are various taxpaying bodies with different corporate income tax rates

Company Name	Applicable Tax Rate
JSSJ Industry (HK) Holdings Co., Limited	16.5%
ZYG E-Commerce HK Limited	16.5%
YANGHE CHILE SPA	27%
YangHe International Investment Ltd,ZYG LTD	0%
ZYG TECHNOLOGY INVESTMENT LTD	0%

6.2. Other information

[Note 1] Value-added tax is calculated and levied according to the difference between output VAT and deductible input. The applicable tax rates are 17%, 13%, 11%, 6% and 19%. According to Notice on trial implementation of the assessment of the deduction method of VAT input tax of agricultural products in some industries (Cai Shui [2012] No.38) issued by the Ministry of Finance and the State Administration of Taxation, general VAT payers with purchasing agricultural products as raw material to produce and sell liquid milk and dairy products, alcohol and alcohol, vegetable oil are involved into the pilot scope of deduction of VAT input tax of agricultural products. Whether the purchased agricultural products are used for production of above products or not, input VAT shall be deducted according to Pilot implementation measures of assessment of the deduction of VAT input tax of agricultural products. It is no longer deducted by VAT deduction certificate. The input VAT of purchased goods, taxable labor service and taxable service excluding agricultural products is deducted according to current related rules.

The Company adopted input-output method to calculate permitted deductible VAT input of agricultural products according to consumed amount of outsourcing agricultural products per sale based on national and industrial standards. The VAT rate of YANGHE CHILE SPA is 19%. JSSJ Industry (HK) Holdings Co., Limited, ZYG E-Commerce HK Limited, ZYG LTD, YangHe International Investment Ltd, ZYG

TECHNOLOGY INVESTMENT LTD do not pay VAT.

[Note 2] 1. Ad valorem taxation : Consumption tax of liquor is calculated and levied according to 20% of sales. For taxable liquor with manufacturing consignment, it is calculated and levied according to sale price of trustees' congeneric liquor. If there is no sale price of congeneric liquor, it is calculated and levied according to composite assessable price. Consumption tax of wine is calculated and levied according to 10% of sales

According to Notice on further Strengthening the Collection and Management of Liquor Consumption Tax (Guoshuihan [2017] No. 144) issued by the State Administration of Taxation(SAT) issued, if a liquor manufacturing enterprise sets up multi-level sales units selling liquor, the SAT should verify the lowest assessable price of the manufacturing enterprise based on external sales price of final sales unit. Since 1 May 2017, the lowest assessable price of liquor consumption tax has been adjusted to 60% uniformly from 50% to 70%. The tax payment of the Company's liquor consumption tax has been changed from withholding and remitting tax by trustee from direct payment by the liquor manufacturing enterprise since 1 September 2017. The accounting method of consumption tax was changed from manufacturing consignment reckoned in cost of liquor production to self-production and self-sale reckoned in consumption taxes and surcharges. The tax price of liquor consumption tax with ad valorem taxation has been changed from composite assessable price to the lowest assessable price of the manufacturing enterprise based on external sales price of final sales unit since 1 May 2017.

2. Volume-based taxation: Consumption tax of liquor is calculated and levied according to RMB 0.50 per kg

7. Notes to the consolidated financial statements

7.1. Cash at bank and on hand

Item	Ending Balance	Beginning Balance
Cash	4,883.33	9,416.09
Bank deposit	1,726,983,843.15	2,454,194,648.21
Other cash and cash equivalents	24,464,149.70	2,423,294.67
Total	1,751,452,876.18	2,456,627,358.97
Including: Total overseas deposits	343,070,375.12	16,859,599.01

7.2. Notes receivable

7.2.1. Classification of notes receivable

Item	Ending balance	Beginning balance
Bank acceptances	212,812,236.57	151,616,983.85
Total	212,812,236.57	151,616,983.85

7.2.2 Notes receivable that have been endorsed to other parties by the Company but have not expired at the end of year

Item	Recognition stopped at ending	Recognition continue at ending
Bank acceptance bill	40,889,186.00	
Total	40,889,186.00	

7.3. Accounts receivable

7.3.1 An analysis of accounts receivable by categories

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable tested for impairment on a portfolio basis	10,833,555.19	100.00%	2,348,172.36	21.67%	8,485,382.83	13,526,425.00	100.00%	2,702,238.10	19.98%	10,824,186.90
Total	10,833,555.19	100.00%	2,348,172.36	21.67%	8,485,382.83	13,526,425.00	100.00%	2,702,238.10	19.98%	10,824,186.90

With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis:

☐ Applicable ☒ N/A

Accounts receivable that the related provision for bad debts is provided on grouping basis using the ageing analysis method:

☒ Applicable ☐ N/A

Aging	Ending balance		
	Accounts receivable	Provision for bad debt	Proportion
Within 1 year	5,149,816.55	257,490.82	5.00%
1-2 years	3,621,893.85	362,189.39	10.00%
2-3 years	12,493.33	3,748.00	30.00%
3-4 years	634,408.63	317,204.32	50.00%
4-5 years	37,015.00	29,612.00	80.00%
Over 5 years	1,377,927.83	1,377,927.83	100.00%
Total	10,833,555.19	2,348,172.36	21.67%

Explanation of the determination of the portfolio basis:

Accounts receivable that the related provision for bad debts is based on the proportion of ending balance:

☐ Applicable ☒ N/A

Accounts receivable that the related provision for bad debts is based on other methods:

□ Applicable √ N/A

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

Provision for bad debt in current period is 0.00 yuan; Provision and recovery for bad is 354,065.74 yuan. Items of recovery that are important in this term are as follows:

Company Name	Recovery amount	Method
None		

7.3.3. Top five entities with the largest balances of the account receivables

Company name	Ending Balance	Proportion in the total (%)	Provision Amount
First	2,007,251.49	18.53	100,362.57
Second	600,000.00	5.54	300,000.00
Third	454,356.93	4.19	454,356.93
Fourth	319,041.73	2.95	15,952.09
Fifth	292,730.90	2.70	14,636.55
Total	3,673,381.05	33.91	885,308.14

7.4 Prepayment**7.4.1 Aging analysis**

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	85,033,318.92	98.12%	66,079,124.96	95.32%
1-2 years	341,247.89	0.40%	1,676,635.79	2.42%
2-3 years	1,197,641.47	1.38%		
Over 3 years	89,600.00	0.10%	1,564,172.47	2.26%
Total	86,661,808.28	--	69,319,933.22	--

Explanation of prepayment with age longer than 1 year:

There is no prepayment with age longer than 1 year.

7.4.2. Top five entities with the largest balances of prepayments

Company name	Ending balance	Proportion in the total (%)
First	71,240,000.00	82.20
Second	2,410,000.00	2.78
Third	1,950,148.44	2.25
Fourth	1,850,000.00	2.14
Fifth	1,500,000.00	1.73
Total	78,950,148.44	91.10

7.5. Other receivables

7.5.1. Other receivables disclosed by categories

Category	Ending Balance					Beginning Balance				
	Book Balance		Provision for bad debt		Book Value	Book Balance		Provision for bad debt		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and tested for impairment individually	80,747,048.93	67.33%	47,839,924.27	59.25%	32,907,124.66	138,106,189.20	81.31%	48,139,924.27	34.86%	89,966,264.93
Portfolio under the aging analysis method	39,188,922.37	32.67%	15,011,445.20	38.31%	24,177,477.17	31,751,310.25	18.69%	11,181,916.68	35.22%	20,569,393.57
Total	119,935,971.30	100.00%	62,851,369.47	100.00%	57,084,601.83	169,857,499.45	100.00%	59,321,840.95	100.00%	110,535,658.50

Other receivables with significant single amount and tested for impairment individually

√ Applicable □ N/A

Company Name	Ending Balance			
	Book Balance	Provision balance for bad debt	Proportion of Provision (%)	Reason
Industrial Commercial Bank of China Ltd. Zhengzhou Jiefang road branch.	42,907,124.66	10,000,000.00	23.31%	Tort liability
Industrial Commercial Bank of China Ltd. Kaifeng Haode branch	22,839,924.27	22,839,924.27	100.00%	Tort liability
Bankruptcy administrator of Jiangsu Juntai Properties Co., Ltd., Suqian Guotai Department Store Co., Ltd.	15,000,000.00	15,000,000.00	100.00%	Estimated uncollectible
Total	80,747,048.93	47,839,924.27	--	--

Analysis of provision under the aging analysis method:

√ Applicable □ N/A

Aging	Ending Balance		
	Other receivables	Provision for bad debt	Proportion of Provision
Within 1 year	14,638,635.49	731,931.78	5.00%
1-2 years	2,497,442.07	249,744.21	10.00%
2-3 years	7,213,051.26	2,163,915.38	30.00%
3-4 years	5,313,489.29	2,656,744.65	50.00%
4-5 years	1,585,975.38	1,268,780.30	80.00%
Over 5 years	7,940,328.88	7,940,328.88	100.00%
Total	39,188,922.37	15,011,445.20	38.31%

Explanation of the determination of the portfolio basis:

Other receivables that the related provision for bad debts is based on the proportion of ending balance:

☐ Applicable ☒ N/A

Other receivables that the related provision for bad debts is based on other methods:

☐ Applicable ☒ N/A

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

Provision for bad debt in current period is 2,805,205.95 Yuan; Provision and recovery for bad is 300,000.00 Yuan.

Items of recovery that are important in this term are as follows:

Company Name	Recovery amount	Method
No		

7.5.3. Other actual receivable write-off in this period

Item	Amount of write off
Amount of other receivables that are actually written off	262,956.32

The important write off of accounts receivable are as follows:

Company Name	Category	Amount of write off	Reasons for Write off	Write off procedure	Whether the amount of money generated by the related party transactions
None					

7.5.4. Analysis of other receivables by category

Category	Ending Book Balance	Beginning Book Balance
Cash reserve	65,747,048.93	123,106,189.20
Security deposit	23,738,248.46	21,428,842.17
Cooperation payment	3,910,000.00	3,910,000.00
Business loans, Petty cash and other.	26,540,673.91	21,412,468.08
Total	119,935,971.30	169,857,499.45

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

Company Name	Category	Ending Balance	Aging	Proportion in total receivables (%)	Provisioning amount at period end
Industrial Commercial Bank of China Ltd. Zhengzhou Jiefang road branch.	Saving Deposits	42,907,124.66	3-4 years	35.78%	10,000,000.00
Industrial Commercial Bank of China Ltd. Kaifeng Haode branch	Saving Deposits	22,839,924.27	3-4 years	19.04%	22,839,924.27
Bankruptcy administrator of Jiangsu Juntai Properties Co.,Ltd., Suqian Guotai Department Store Co.,Ltd.	Security deposit	15,000,000.00	Over 5 years	12.51%	15,000,000.00
Ningxiang Financial Administration Bureau	Security deposit	4,487,500.00	2-3 years	3.74%	1,346,250.00
Nanjing Peilong sports culture Co., Ltd.	Cooperation payment	3,910,000.00	Over 5 years	3.26%	3,910,000.00
Total	--	89,144,548.93	--	74.33%	53,096,174.27

7.6. Inventories

Does the company need to comply with the disclosure requirements of real estate industry.

No

7.6.1. Categories of Inventory

Category	Ending Balance			Beginning Balance		
	Book Balance	Provision for depreciation	Book Value	Book Balance	Provision for depreciation	Book Value
Raw material	375,309,467.17	10,371,479.92	364,937,987.25	280,670,400.11	11,916,333.34	268,754,066.77
Work in progress	523,779,562.33		523,779,562.33	449,206,347.58		449,206,347.58
Finished goods	1,512,612,958.8	720,789.05	1,511,892,169.8	1,690,891,419.2		1,690,891,419.2

	6		1	7		7
Revolving material	7,316,606.29	2,270,576.29	5,046,030.00			
Semi-manufactured goods	10,455,847,684.72		10,455,847,684.72	9,812,663,471.75		9,812,663,471.75
Total	12,874,866,279.37	13,362,845.26	12,861,503,434.11	12,233,431,638.71	11,916,333.34	12,221,515,305.37

Does the company need to comply with the disclosure requirements of “Shenzhen Stock Exchange disclosure guide No. 4 - listed companies engaged in seed or planting business?”

No

7.6.2. Provision for decline in value of inventories

Category	Beginning Book Balance	Increases in current period		Decreases in current period		Ending Book Balance
		Amount	Other	Recovery or Write off	Other	
Raw material	11,916,333.34	1,239,211.93		2,784,065.35		10,371,479.92
Finished goods		720,789.05				720,789.05
Revolving material		2,270,576.29				2,270,576.29
Total	11,916,333.34	4,230,577.27		2,784,065.35		13,362,845.26

7.7. Current portion of non-current assets

Item	Ending Balance	Beginning Balance
Trust financial products	552,200,000.00	238,900,000.00
Total	552,200,000.00	238,900,000.00

7.8. Other current assets

Item	Ending Balance	Beginning Balance
Short-term financial products	12,823,346,324.01	9,874,140,247.83
Reclassification of the negative number of taxes and fees	173,029,056.40	191,094,806.01
Total	12,996,375,380.41	10,065,235,053.84

7.9. Available-for-sale financial assets

7.9.1. Available-for-sale financial assets

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Available-for-sale equity instruments	1,936,227,142.76	948,000.00	1,935,279,142.76	1,459,017,647.18	948,000.00	1,458,069,647.18
Measured by cost.	1,936,227,142.76	948,000.00	1,935,279,142.76	1,459,017,647.18	948,000.00	1,458,069,647.18

	2.76		2.76	.18		8
Other	1,525,000,00 0.00		1,525,000,00 0.00			
Total	3,461,227,14 2.76	948,000.00	3,460,279,14 2.76	1,459,017,647 .18	948,000.00	1,458,069,647.1 8

7.9.2. Available-for-sale financial assets measured at cost at period end

Investee	Book Balance				Provision for impairment				Proportion of Equity Held in Investee (%)	Current Period Cash dividends
	Beginning	Increase in Current Period	Decrease in Current Period	Ending	Beginning	Increase in Current Period	Decrease in Current Period	Ending		
Jiangsu Siyang Rural Commercial Bank Co.,Ltd.	7,987,200.00			7,987,200.00					7.02%	3,081,296.68
Wuqian Traffic Investment Co.,Ltd.	948,000.00			948,000.00	948,000.00			948,000.00	0.09%	
Zking Property & Casualty Insurance Co.,Ltd.	52,500,000.00			52,500,000.00					2.00%	
Shanghai Financial Development Investment Fund(limited partnership)	175,864,877.23		13,422,383.84	162,442,493.39					3.33%	2,958,899.83
Zhongjin Jiatai(Tianjin)Equity Funds	243,876,352.38		53,722,441.11	190,153,911.27					6.25%	2,300,569.90

Partnership(Limited partnership)										
Bank of China Group Securities Co.,Ltd.	300,000,000.00			300,000,000.00					3.16%	5,599,381.75
Hangzhou Taiyitianze Investment Management Partnership (Limited Partnership)	105,000,000.00			105,000,000.00					62.50%	
Suning Consumer Finance Co.,Ltd.	30,000,000.00			30,000,000.00					10.00%	
Beijing Tonghu Equity Investment Enterprise (Limited Partnership)	30,000,000.00			30,000,000.00					28.20%	
Shanghai Jinpuxin Cheng Mobile Internet Equity Fund Partnership(Limited	100,000,000.00			100,000,000.00					10.00%	

Partnership)										
China Power Investment Fund	56,242,575.51	4,230,153.10	7,818,362.56	52,654,366.05					1.50%	3,757,910.51
Beijing Weijiu Century culture Media Co.,Ltd.	5,000,000.00			5,000,000.00					5.00%	
Shanghai Financial Development Investment Fund(Limited Partnership)	542,012.88			542,012.88					3.33%	
Jinpuxin Cheng Investment Management Co.,Ltd.	102,271.50			102,271.50					6.82%	102,271.50
Shanghai Shangshi hongzhang Investment Center(Limited Partnership)	3,600,000.00	11,400,000.00		15,000,000.00					5.42%	
Zhongjin Jiatai Phase II (Tianjin) Equity	25,341,857.68	125,710,263.03	84,167,733.04	66,884,387.67					13.45%	

Investment Fund Partnership(Limited Partnership)										
Jiangsu Yongda Outdoor Media Co.,Ltd.	1,507,500.00			1,507,500.00					5.00%	
JiangsuYongda High-speed Railway Media Co.,Ltd.	505,000.00			505,000.00					5.00%	
Jiaxing Danqing Investment Partnership(Limited Partnership)	20,000,000.00	50,000,000.00		70,000,000.00					10.00%	
Golden StoneKunxiang Equity Investment Partnership(Limited Partnership)	300,000,000.00			300,000,000.00					52.54%	
Zhong Cheng Securities Co.,Ltd.		330,000,000.00		330,000,000.00					12.83%	
Najing Jiyan Food Co.,Ltd.		15,000,000.00		15,000,000.00					4.76%	

Jiangsu Saifu Green Food Develop ment Co.,Ltd.		100,000,0 00.00		100,000,0 00.00					2.74%	
Shanghai Xintuo ·R oad King Debt Investme nt Collection fund Trust Plan.		100,000,0 00.00		100,000,0 00.00						
Zhongron g Trust— Guarante e-assista nt Fund No.190C ollective Fund Trust Plan		150,000,0 00.00		150,000,0 00.00						
Zhongron g Trust-The Glory of the World No.26Coll ective Fund Trust Plan		100,000,0 00.00		100,000,0 00.00						
WesternT rust. Sunshine City Yujing garden project specific		150,000,0 00.00		150,000,0 00.00						

asset return rights collective trust plan										
Shanghai Xintuo-Oceanwide Wuhan Yunhai Garden Collective Trust Plan		100,000,000.00		100,000,000.00						
Zhongrong-Jundun No.1Trust Plan		150,000,000.00		150,000,000.00						
Western Trust - CAC Group Debt Collection Fund Trust Plan		200,000,000.00		200,000,000.00						
Ping An Hongtai No. 189 trust fund collection fund		70,000,000.00		70,000,000.00						
WesternTrust- Evergrande Enping Equity Investment Collective Fund Trust Plan		100,000,000.00		100,000,000.00						

West trust — Tiandiyuan (Phase V) Collective Fund Trust Plan		120,000,0 00.00		120,000,0 00.00						
China Tourism Internatio nal Trust-Zhix in No.358Zh ongtian Future ArkCollec tive Fund Trust Plan B		85,000,00 0.00		85,000,00 0.00						
Shaanxi Internatio nal Trus-Gre en Source farmers market Trust Loan Collective Fund Trust Plan		100,000,0 00.00		100,000,0 00.00						
Shaanxi Internatio nal Trust-Wu xi Railway Station North Square A		100,000,0 00.00		100,000,0 00.00						

Block Project Loan Collective Fund Trust Plan										
Total	1,459,017 ,647.18	2,161,340 ,416.13	159,130,9 20.55	3,461,227 ,142.76	948,000.0 0			948,000.0 0	--	17,800,33 0.17

7.9.3. Changes in provision for the impairment of the available-for-sale assets during the reporting period

Classification of available-for-sale assets	Equity instruments available for sale	Debt instruments available for sale		Total
Balance of the provision for impairment at the beginning of this period	948,000.00			948,000.00
Balance of the provision for impairment at the end of this period	948,000.00			948,000.00

7.10. Long-term equity investments

Investee	Beginnin g Balance	Changes in Current Period								Ending Balance	Ending Balance of provision for depreciat ion
		Increase	Decreas e	Profit or loss recogniz ed under equity method	Other adjustme nts in overall income	Other changes in equity	Announc ement to distribute cash divided or profit	Provision for depreciat ion	Other		
10.1 Joint Venture											
10.2 Associated Enterprise											
Dream Blue Chuanha ihui (Shiyan) Trade Investme nt	18,813,0 15.04		-1,000,0 00.00	-2,074,6 35.42					-15,738, 379.62	0.00	

Co.,Ltd.											
Jiangsu Sujiu Cultural Transmission Co.,Ltd.	2,216,455.38		774,753.12			-238,000.00		-773,161.56	1,980,046.94		
Subtotal	21,029,470.42		-1,000,000.00	-1,299,882.30		-238,000.00		-16,511,541.18	1,980,046.94		
Total	21,029,470.42		-1,000,000.00	-1,299,882.30		-238,000.00		-16,511,541.18	1,980,046.94		

Statement: Other change in long-term equity investment of Jiangsu Sujiu Cultural Transmission Co., Ltd. in current period is the adjustment to reduce the long-term equity investment due to unrealized sales profit in the downstream transaction; Other change of Dream Blue Chuanhaihui (Shiyan) Trade Investment Co., Ltd. owe to decrease of capital caused by the merger of enterprises under the different control.

7.11. Fixed Assets

7.11.1. Fixed Assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Other equipment	Total
Original cost of fixed assets					
1.Beginning Balance	7,019,271,211.79	2,878,570,277.50	61,672,451.42	262,149,933.21	10,221,663,873.92
2.Increase in current period	764,276,607.82	104,446,735.54	7,957,740.37	68,784,120.65	945,465,204.38
(1)External purchase	24,634,525.91	15,998,967.60	7,264,843.98	68,409,304.31	116,307,641.80
(2)Transfer from projects under construction	536,659,736.57	75,481,341.30			612,141,077.87
(3)Increase in Corporate merger	202,982,345.34	12,966,426.64	692,896.39	374,816.34	217,016,484.71
3.Decrease in current period	2,255,101.95	13,494,296.41	1,522,911.59	1,139,423.90	18,411,733.85
(1)Elimination and sell off	2,255,101.95	13,494,296.41	1,522,911.59	1,139,423.90	18,411,733.85
4.Ending Balance	7,781,292,717.66	2,969,522,716.63	68,107,280.20	329,794,629.96	11,148,717,344.45
Accumulated depreciation					

1.Beginning Balance	1,183,013,186.84	844,048,154.38	41,589,485.44	182,977,927.97	2,251,628,754.63
2.Increase in current period	351,739,908.06	271,685,244.02	8,126,518.73	25,181,507.61	656,733,178.42
(1)Provision	340,557,321.38	271,270,392.20	7,750,847.22	25,060,227.84	644,638,788.64
(2)Increase in Corporate merger	11,182,586.68	414,851.82	375,671.51	121,279.77	12,094,389.78
3.Decrease in current period	823,452.96	6,150,928.25	1,180,097.62	1,049,578.03	9,204,056.86
(1)Disposal or elimination	823,452.96	6,150,928.25	1,180,097.62	1,049,578.03	9,204,056.86
4.Ending Balance	1,533,929,641.94	1,109,582,470.15	48,535,906.55	207,109,857.55	2,899,157,876.19
Provision for fixed asset impairment					
1.Beginning Balance					
2.Increase in current period					
(1)Provision					
3.Decrease in current period					
(1)Disposal or elimination					
4.Ending Balance					
Carrying Amount					
1.Ending carrying amount	6,247,363,075.72	1,859,940,246.48	19,571,373.65	122,684,772.41	8,249,559,468.26
2.Beginning carrying amount	5,836,258,024.95	2,034,522,123.12	20,082,965.98	79,172,005.24	7,970,035,119.29

7.11.2. Profile of no property right certificate

Item	Book Value	Reason for no property right certificate
Blue-collar workers apartment of Yanghe	221,955,307.39	In process
R&D building of Yanghe	419,555,847.41	In process
Shop building of Yanghe and so on	117,594,817.75	In process
Shiyan Baiquan Wine Industry packing workshop and so on	52,213,993.66	In process

7.12. Construction in progress

7.12.1. Details of the construction in progress

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Net book value	Book Balance	Provision for impairment	Net book value
Technical renovation project of 30 thousand tons of famous and excellent wine				6,666,559.82		6,666,559.82
R&D center building project	10,431,829.70		10,431,829.70	302,588,447.96		302,588,447.96
Shuanggou new area bottle storage and packaging relocation project	91,252,560.31		91,252,560.31	96,388,223.63		96,388,223.63
Packaging and logistics project of Shuanggou wine Industry area	33,759,459.32		33,759,459.32	51,167,728.82		51,167,728.82
Shuanggou new area wine-making project	16,950,999.28		16,950,999.28	16,930,509.39		16,930,509.39
	650,166.18		650,166.18	622,807.69		622,807.69
Shuanggou packaging production line	10,610,699.88		10,610,699.88	23,073,156.17		23,073,156.17
Blue-collar workers and undergraduate apartment				12,056,070.60		12,056,070.60
Shiyan Baiquan Wine Industry packing project	1,542,699.41		1,542,699.41	9,501,129.27		9,501,129.27
Other Project	69,233,043.75		69,233,043.75	25,676,291.03		25,676,291.03
Total	234,431,457.83		234,431,457.83	544,670,924.38		544,670,924.38

7.12.2. Significant changes in construction in progress

Item	Budget	Beginni	Increas	Transfer	Decreas	Ending	Proporti	Progres	Capitali	Include:	Capitali	Source
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		ng Balance	e in current period	into fixed assets	e in current period	Balance	on of accumul ative project input in budget	s	zed interest	Capitali zed interest for the period	zation rate for the period (%)	of funds
Technic al renovati on project of 30 thousan d tons of famous and excellen t wine	1,630,0 00,000. 00	6,666,5 59.82	17,174, 904.02	23,841, 463.84			121.50 %	End stage of Enginee ring				Other
R&D center building project	260,510 ,000.00	302,588 ,447.96	206,480 ,394.54	498,637 ,012.80		10,431, 829.70	195.42 %	End stage of Enginee ring				Other
Shuang gou new area bottle storage and packagi ng relocati on project	640,270 ,000.00	96,388, 223.63	3,359,7 62.25	8,495,4 25.57		91,252, 560.31	121.27 %	End stage of Enginee ring				Other
Packagi ng and logistics project of Shuang gou wine Industry area	495,000 ,000.00	51,167, 728.82	3,131,6 34.42	20,539, 903.92		33,759, 459.32	204.87 %	End stage of Enginee ring				Other

Shuang gou new area wine-m aking project	528,180 ,000.00	16,930, 509.39	20,489. 89			16,950, 999.28	162.20 %	End stage of Enginee ring				Other
Shuang gou new area auxiliary project	70,000, 000.00	622,807 .69	27,358. 49			650,166 .18	172.35 %	End stage of Enginee ring				Other
Shuang gou packagi ng producti on line	120,000 ,000.00	23,073, 156.17	8,393,4 53.08	20,855, 909.37		10,610, 699.88	89.53%	End stage of Enginee ring				Other
Blue-col lar workers and undergr aduate apartme nt		12,056, 070.60	632,110 .23	12,688, 180.83				End stage of Enginee ring				Other
Shiyan Baiquan Wine Industry packing project	80,000, 000.00	9,501,1 29.27	16,771, 804.24	24,730, 234.10		1,542,6 99.41	127.54 %	End stage of Enginee ring				Other
Total	3,823,9 60,000. 00	518,994 ,633.35	255,991 ,911.16	609,788 ,130.43		165,198 ,414.08	--	--				--

7.13. Engineering material

Unit: RMB

Item	Ending Balance	Beginning Balance
Cable type	6,320.03	6,320.03
electric equipment	781,743.55	781,743.55
Total	788,063.58	788,063.58

7.14. Intangible assets

7.14.1. Intangible assets

Item	Land use right	Patent right	No-patent right technology	Trademark right	Computer software	Total
Original book value of intangible assets						
1. Beginning Balance	1,735,697,530.06			394,665,660.00	76,386,192.99	2,206,749,383.05
2. Increase in current period	47,109,108.00			2,075,715.76	17,104,987.47	66,289,811.23
(1) Acquired	5,592,608.00			2,075,715.76	17,091,402.57	24,759,726.33
(2) Internal developed						
(3) Increase in Corporate merger	41,516,500.00				13,584.90	41,530,084.90
3. Decrease in current period						
(1) Disposal						
4. Ending Balance	1,782,806,638.06			396,741,375.76	93,491,180.46	2,273,039,194.28
Accumulated amortization of intangible assets						
1. Beginning Balance	171,557,124.89			380,998,405.47	19,569,011.12	572,124,541.48
2. Increase in current period	37,367,241.95			1,759,157.84	8,241,825.94	47,368,225.73
(1) Provision	35,167,241.95			1,759,157.84	8,228,241.04	45,154,640.83
(2) Increase in Corporate merger	2,200,000.00				13,584.90	2,213,584.90
3. Decrease in current period						
(1) Disposal						
4. Ending	208,924,366.84			382,757,563.31	27,810,837.06	619,492,767.21

Balance						
Net value of intangible assets						
1. Ending Book Value	1,573,882,271.22			13,983,812.45	65,680,343.40	1,653,546,427.07
2. Beginning Book Value	1,564,140,405.17			13,667,254.53	56,817,181.87	1,634,624,841.57

Intangible assets formed by internal R&D accounted for 0.00% of the book value of intangible assets at the end of this term.

7.15. Goodwill

7.15.1. Book value of Goodwill

Company be invested or event result in goodwill	Beginning balance	Increase		Decrease		Ending balance
Jiangsu Shuanggou Distillery Stock Co.,Ltd.	276,001,989.95					276,001,989.95
Jiangsu Zhaiyougou E-commerce Co.,Ltd	6,940,018.79					6,940,018.79
Jiangsu Zhaibianli E-commerce Co.,Ltd	21,250,284.80					21,250,284.80
Guizhou Guijiu Co.,Ltd.	18,826,210.01					18,826,210.01
ZYG TECHNOLOGY INVESTMENT LTD		5,057,111.19				5,057,111.19
Guizhou Welcome Drink Stock Co.,Ltd		11,333,195.25				11,333,195.25
Dream Blue Chuanhaihui (Shiyan) Trade Investment		3,405,542.42				3,405,542.42

Co.,Ltd.						
Total	323,018,503.55	19,795,848.86				342,814,352.41

7.15.2. Impairment

Company be invested or event result in goodwill	Beginning balance	Increase		Decrease		Ending balance
Jiangsu Zhaiyougou E-commerce Co.,Ltd	6,940,018.79					6,940,018.79
Jiangsu Zhaibianli E-commerce Co.,Ltd	21,250,284.80					21,250,284.80
Guizhou Guijiu Co.,Ltd.	18,826,210.01					18,826,210.01
ZYG TECHNOLOGY INVESTMENT LTD		5,057,111.19				5,057,111.19
Guizhou Welcome Drink Stock Co.,Ltd		11,333,195.25				11,333,195.25
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.		3,405,542.42				3,405,542.42
Total	47,016,513.60	19,795,848.86				66,812,362.46

Impairment test procedure, parameter and recognition method of impairment are as follows:

The impairment test determined by the present value of asset group is based on estimated future cash flows. According to the free cash flow prospect of future five years based on recent financial budget, and estimate the future year cash flows, discount rate is 10%. According to the test, there is no impairment happened caused by the acquisition of Jiangsu Shuanggou Distillery Stock Co., Ltd.

The subsidiary corporation ZYG TECHNOLOGY INVESTMENT LTD, Guizhou Welcome Drink Stock Co., Ltd and Dream Blue Chuanhaihui (Shiyan) Trade Investment Co., Ltd. had operating loss and there is low possibility to reverse to profit, full amount of them needed to be the provision for impairment loss

7.16. Long-term prepaid expenses

Item	Beginning Balance	Increase in the current period	Amortization for the current period	Other decreases	Ending Balance
Renovation costs of the rented house	2,158,153.24	34,925.57	1,101,434.65		1,091,644.16
Total	2,158,153.24	34,925.57	1,101,434.65		1,091,644.16

7.17. Deferred tax assets/liabilities**7.17.1. Recognized deferred tax assets**

Item	Ending Balance		Beginning Balance	
	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Provision for asset impairment	73,619,863.33	18,404,334.67	74,687,658.60	18,671,330.75
Unrealized profits from internal transactions	44,667,749.86	11,166,937.46	59,064,027.69	14,766,006.93
Deductible losses	9,122,967.34	2,280,741.83	19,247,490.99	4,811,872.75
The difference between book value of debt and tax base	2,471,228,375.00	617,807,093.75	2,119,303,000.00	529,825,750.00
Total	2,598,638,955.53	649,659,107.71	2,272,302,177.28	568,074,960.43

7.17.2. Recognized deferred tax liabilities

Item	Ending Balance		Beginning Balance	
	Temporary differences of tax	Deferred tax liabilities	Temporary differences of tax	Deferred tax liabilities
Appraisal increment of assets under non-identical control enterprise merges	71,831,084.40	17,957,771.10	73,997,306.92	18,499,326.73
Total	71,831,084.40	17,957,771.10	73,997,306.92	18,499,326.73

7.17.3. Details of unrecognized deferred tax assets

Item	Ending Balance	Beginning Balance
Deductible Temporary Differences	5,890,523.76	200,753.79
Deductible losses	179,672,013.58	114,741,899.58
Total	185,562,537.34	114,942,653.37

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

Year	Ending Amount	Beginning Amount	Notes
2020	29,839,655.24	32,580,839.65	
2021	82,161,059.93	82,161,059.93	
2022	67,671,298.41		
Total	179,672,013.58	114,741,899.58	--

7.18. Other non-current assets

Item	Ending Balance	Beginning Balance
Compensation for land compensation.	158,606,824.94	158,606,824.94
Trust products more than one year		802,200,000.00
Prepaid construction equipment expense and purchase and house payment	45,620,808.97	43,227,774.00
Total	204,227,633.91	1,004,034,598.94

7.19. Notes payable

Category	Ending Balance	Beginning Balance
Bank acceptances bill	8,200,000.00	960,000,000.00
Total	8,200,000.00	960,000,000.00

The amount of outstanding notes payable at the end of this term is 0.00 Yuan.

7.20. Accounts payable

7.20.1 Description of accounts payable

Item	Ending balance	Beginning balance
Material purchase	949,161,768.88	734,696,568.55
Construction&Equipment payment	162,241,805.59	49,516,432.21
Total	1,111,403,574.47	784,213,000.76

7.21. Advance from customers

7.21.1. Description of advance from customers

Item	Ending balance	Beginning balance
Advances on sales	4,199,846,323.30	3,847,491,823.75
Total	4,199,846,323.30	3,847,491,823.75

7.22. Employee benefits payable

7.22.1. Employee benefits payable shown as follows

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Short-term benefits	164,075,562.59	1,460,796,537.91	1,416,557,372.84	208,314,727.66
Post-employment benefits- defined contribution plans	1,378,623.15	115,624,281.01	115,658,983.53	1,343,920.63
Total	165,454,185.74	1,576,420,818.92	1,532,216,356.37	209,658,648.29

7.22.2. Short-term employee benefits payable shown as follows

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Wages, bonuses, allowances and grants	154,319,487.22	1,271,942,013.55	1,223,417,685.88	202,843,814.89
Employees' welfare		85,925,472.16	85,925,472.16	
Social insurance premiums	427,981.79	49,588,855.47	49,589,382.42	427,454.84
Including: Medical insurance premium	373,278.50	43,046,808.40	43,047,210.40	372,876.50
Work-related injury insurance	38,730.04	3,473,007.21	3,473,068.41	38,668.84
premium	15,973.25	3,069,039.86	3,069,103.61	15,909.50
Housing funds	884,580.00	52,046,558.71	52,046,315.71	884,823.00
Labor union expenditures and employee education funds	8,443,513.58	1,293,638.02	5,578,516.67	4,158,634.93
Total	164,075,562.59	1,460,796,537.91	1,416,557,372.84	208,314,727.66

7.22.3. Defined Contribution Plan shown as follows

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Basic endowment insurance premium	1,301,269.67	112,263,722.58	112,298,284.85	1,266,707.40
Unemployment insurance premium	77,353.48	3,360,558.43	3,360,698.68	77,213.23
Total	1,378,623.15	115,624,281.01	115,658,983.53	1,343,920.63

7.23. Taxes payables

Item	Ending Balance	Beginning Balance
Value-added tax	16,566,945.18	6,979,433.49
Consumption tax	301,944,997.98	209,868,425.32
Enterprise income tax	1,865,510,244.69	1,545,930,464.04
Individual Income Tax	51,144,185.46	3,721,050.52
Urban maintenance and construction tax	16,322,641.43	10,683,692.27
Land use tax	4,946,210.32	3,649,621.62
Property tax	13,262,451.18	12,758,747.31
Education Surcharge and Local Education Surcharge	16,034,117.97	10,678,328.04
Stamp duty	1,787,929.52	247,344.18
Integrated fund	5,144.20	419.88
Other tax	2,037,259.74	3,325,056.25
Total	2,289,562,127.67	1,807,842,582.92

7.24. Dividends payable

Item	Ending Balance	Beginning Balance
Dividends payable for subsidiaries		4,696,611.20
Total		4,696,611.20

7.25. Other payables**7.25.1. Categories by nature**

Item	Ending Balance	Beginning Balance
Dealer unsettled discount	2,249,550,630.00	1,983,303,000.00
Dealer deposit	1,996,000,543.52	1,723,365,918.35
Dealer risk pledged capital	618,260,719.07	570,948,123.37
Accrued expenses	473,980,800.72	295,862,459.83
Quality guarantee deposit, Performance bond	176,017,865.12	207,536,931.07
Other	106,229,957.51	86,615,992.71
Total	5,620,040,515.94	4,867,632,425.33

7.25.2. Other important payables aging more than 1 year

Item	Ending Balance	Reasons for Being Unpaid or Transferred
Dealer risk pledged capital, deposit	533,358,390.27	Risk pledged capital, deposit
Total	533,358,390.27	--

7.26. Long-term loans

7.26.1. Classification of long-term loans

Item	Ending Balance	Beginning Balance
Credit loans	145,452.00	181,816.00
Total	145,452.00	181,816.00

7.27. Specific payable

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
Identity replacement compensation	199,978,943.07		871,412.32	199,107,530.75	
Total	199,978,943.07		871,412.32	199,107,530.75	--

7.28. Deferred Incomes

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
Government Subsidies	111,085,666.67	5,116,000.00	8,852,000.00	107,349,666.67	
Total	111,085,666.67	5,116,000.00	8,852,000.00	107,349,666.67	--

Details:

Liability Item	Beginning Balance	Increase in Current Period	Non-operating Income in Current Period	Other income in Current Period	Cost reduction in Current Period	Other Changes	Ending Balance	Relevant to Asset or Income
Specific fund for recycling project of waste water	174,166.67			95,000.00			79,166.67	Asset
Subsidy for the construction of Shiyan Baiquan Wine Industry wine making, packing	33,708,600.00	5,116,000.00		4,257,000.00			34,567,600.00	Asset

project supporting facilities								
Specific fund for packaging and logistics project of Shuanggou new Industry area	24,000,000.00			3,000,000.00			21,000,000.00	Asset
Specific fund for construction of Harbin Binzhou brewery	41,202,900.00						41,202,900.00	Asset
Shuanggou sewage treatment project	12,000,000.00			1,500,000.00			10,500,000.00	Asset
Total	111,085,666.67	5,116,000.00		8,852,000.00			107,349,666.67	--

7.29. Share Capital

(Unit: Share)

	Beginning Balance	Increases/decreases in the current period (+, -)					Ending Balance
		Issuance of new shares	Bonus share	Conversion of reserves funds into shares	Others	Subtotal	
Total Number of Shares	1,506,988,000.00						1,506,988,000.00

7.30. Capital reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Share premium (Capital premium)	741,674,076.44			741,674,076.44
Other capital reserves	30,000.00			30,000.00
Total	741,704,076.44			741,704,076.44

7.31. Other Comprehensive Incomes

Item	Beginning Balance	Current Period					Ending Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit and loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Other consolidate incomes that will reclassify into profit and loss	1,141,647.47	-226,957.05			-225,943.44	-1,013.61	915,704.03
Difference from conversion of financial statements in foreign currency	1,141,647.47	-226,957.05			-225,943.44	-1,013.61	915,704.03
Other comprehensive Income Total	1,141,647.47	-226,957.05			-225,943.44	-1,013.61	915,704.03

7.32. Surplus reserves

Item	Beginning Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Statutory surplus reserves	753,494,000.00			753,494,000.00
Total	753,494,000.00			753,494,000.00

Explanation of surplus reserves, including explanation of change in current period:

When the statutory surplus reserves already reach 50% of registered capital, there is no need for statutory surplus reserves in current period.

7.33. Undistributed profits

Item	Current Period	Last Period
Undistributed profit before adjustment at the end of the last year	23,049,443,346.09	19,934,852,875.21
Adjustment in the total undistributed profits at the beginning of year	23,049,443,346.09	19,934,852,875.21
Plus: net profit attributable to owners of the parent company for the current period	6,627,169,959.16	5,827,168,870.88
Conversion of ordinary share dividends into share capital	3,164,674,800.00	2,712,578,400.00
Undistributed profits at the end of the period	26,511,938,505.25	23,049,443,346.09

Details of adjustment to beginning balance of undistributed profits:

- 1). Due to traced back to adjustment according to the accounting standards for enterprises and relevant new regulations, influence to beginning balance of undistributed profits is 0.00 Yuan.
- 2). Due to accounting policy alternative, influence on beginning balance of undistributed profits is 0.00Yuan.
- 3). Due to major accounting error correction, influence on beginning balance of undistributed profits is 0.00 Yuan.
- 4). Due to merge scope changes resulting from the same control, influence on beginning balance of undistributed profits is 0.00 Yuan.
- 5). Due to other adjustments, influence on beginning balance of undistributed profits is 0.00 Yuan.

7.34. Operating income and operating costs

Item	Current Period		Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Primary business	19,468,365,663.88	6,285,763,095.97	16,782,694,581.25	5,827,106,186.48
Other business	449,576,574.28	395,385,466.19	400,415,038.83	375,872,642.11
Total	19,917,942,238.16	6,681,148,562.16	17,183,109,620.08	6,202,978,828.59

7.35. Business taxes and surcharges

Item	Current Period	Previous Period
Consumption tax	719,619,698.60	20,668,766.89
Urban maintenance and construction tax	187,348,938.98	131,284,324.47
Educational surcharge	158,110,821.96	106,672,396.74
Property tax	56,062,041.01	37,032,242.70
Land use tax	21,020,413.58	10,478,033.38
Stamp duty	9,705,637.17	3,185,863.58
Business tax		244,691.51
Other	2,280.00	1,080.37
Total	1,151,869,831.30	309,567,399.64

Other Explanation:

The package of finished products is entrusted to subsidiaries Jiangsu Yanghe Package Co., Ltd., Siyang Yanghe packing service Co., Ltd. and Shiyan Yunyang Lihua village packing service Co., Ltd., the package of products of subsidiary Jiangsu Shuanggou Distillery Stock Co., Ltd. entrusted to its subsidiary Sihong Shuangtai Drinks Cans Filling Co., Ltd. Consumption taxes and surcharges of the Company and its subsidiary Jiangsu Shuanggou Distillery Stock Co., Ltd. were withheld and remitted by the trustee,. The consumption taxes and surcharges were recorded into the cost of product.

According to Notice on further Strengthening the Collection and Management of Liquor Consumption Tax (Guoshuihan [2017] No. 144) issued by the State Administration of Taxation(SAT) issued, if a liquor manufacturing enterprise sets up multi-level sales units selling liquor, the SAT should verify the lowest assessable price of the manufacturing enterprise based on external sales price of final sales unit. Since

1 May 2017, the lowest assessable price of liquor consumption tax has been adjusted to 60% uniformly from 50% to 70%. The tax payment of the Company's liquor consumption tax has been changed from withholding and remitting tax by trustee from direct payment by the liquor manufacturing enterprise since 1 September 2017. The accounting method of consumption tax was changed from manufacturing consignment reckoned in cost of liquor production to self-production and self-sale reckoned in consumption taxes and surcharges. The tax price of liquor consumption tax with ad valorem taxation has been changed from composite assessable price to the lowest assessable price of the manufacturing enterprise based on external sales price of final sales unit since 1 May 2017.

The consumption taxes and surcharges from manufacturing consignment of liquor products withheld and remitted by trustee was RMB 1,024,857,867.32 during the reporting period, including the Company and its subsidiary Jiangsu Shuanggou Distillery Stock Co., Ltd.

7.36. Selling and distribution expenses

Item	Current Period	Previous Period
Advertising promotion expense	1,210,783,150.98	820,863,674.35
Employee compensation	484,601,462.80	445,331,462.10
Handling charge	233,747,902.25	234,593,648.46
Labor expense	112,430,439.21	70,679,484.73
Travel expense	275,629,936.19	239,659,340.73
Business entertainment expense	1,881,714.48	2,339,613.86
Other expense	68,372,501.14	55,534,597.30
Total	2,387,447,107.05	1,869,001,821.53

7.37. General and administrative expenses

Item	Current Period	Previous Period
Employee compensation	546,050,904.30	537,881,111.56
Travel expense	46,464,950.04	37,913,166.58
Office allowance	9,035,598.20	15,377,085.77
Wate, electric and steam expense	55,857,399.91	49,398,354.96
Business entertainment expense	13,876,207.36	14,095,681.47
Depreciation cost	409,604,948.24	373,549,882.92
Rental expense	12,784,133.46	13,860,579.38
Repair charge	45,643,052.23	39,009,754.21
Amortization of intangible assets.	45,154,640.83	95,644,671.94
Taxes and fees		43,840,026.30
Vehicle use expense	15,547,860.17	14,944,371.08
Transportation charges.	52,448,446.71	29,987,119.91
R&D expense	25,745,247.20	23,676,172.43
Other expense	253,934,718.28	293,257,272.94
Total	1,532,148,106.93	1,582,435,251.45

7.38. Financial expenses

Item	Current Period	Previous Period
Interest expenses	3,927.00	718,066.64
Less: Interest income	48,793,842.12	35,922,111.00
Plus: Losses from currency exchange	11,705,912.52	-4,054,303.70
Plus: Bill discounted cost		26,997,905.56
Plus: Handling charges	3,171,671.13	3,313,230.36
Total	-33,912,331.47	-8,947,212.14

7.39. Impairment losses

Item	Current Period	Previous Period
Bad debt loss	2,151,140.21	-434,243.27
Inventory value loss	920,789.05	1,416,640.67
Goodwill impairment loss	19,795,848.86	47,016,513.60
Total	22,867,778.12	47,998,911.00

7.40. Investment income

Item	Current Period	Previous Period
Income from long-term equity investments under the equity method	-1,299,882.30	-3,893,529.35
Investment income gained during the period of holding the available-for-sale financial assets	17,800,330.17	23,416,641.56
Investment income from the disposal of available-for-sale financial assets	90,627,738.02	128,763,897.76
Other investment income	516,824,879.08	398,923,011.53
Total	623,953,064.97	547,210,021.50

Other explanation

Investment income is from purchasing finance product.

7.41. Income on disposal of assets

Source of income on disposal of assets	Current Period	Previous Period
Gains or losses on disposal of assets	-8,598,844.11	-5,823,628.96

7.42. Other income

Source of other income	Current Period	Previous Period
Government grants	44,745,640.94	

7.43. Non-operating income

Item	Current Period	Previous Period	The amount included in the extraordinary gains and losses of the current period
Government grants		29,064,221.47	
Liquidated damages	11,966,175.47	7,248,389.96	11,966,175.47
Service charge from withholding taxes	2,400,925.65	5,072,081.31	2,400,925.65
Compensation payment	4,244,301.19		4,244,301.19
Others	1,210,652.45	3,765,113.35	1,210,652.45
Total	19,822,054.76	45,149,806.09	19,822,054.76

7.44. on-Operating Expenses

Item	Current Period Amount	Previous Period Amount	The Amount Included in Extraordinary Gains & Losses in Previous Period
Donation	4,255,000.00	2,151,829.00	4,255,000.00
Integrated fund	77,868.28	28,998.48	
Compensation expense	441,197.00	1,575,000.00	441,197.00
Other expense	3,566,467.53	1,889,427.42	3,566,467.53
Total	8,340,532.81	5,645,254.90	8,262,664.53

7.45. Income Tax Expense**7.45.1. Statement of Income tax Expense**

Item	Current Period Amount	Previous Period Amount
Current Period Income Tax	2,316,822,437.89	1,941,720,992.66
Deferred Income Tax	-87,654,013.74	14,315,457.09
Total	2,229,168,424.15	1,956,036,449.75

7.45.2. Adjustment for Accounting Profit and Income Tax Expense

Item	Current Period Amount
Total profit	8,847,954,567.82
Income Tax Expenses Determined by Statutory/Applicable Tax Rate	2,211,988,641.96
Impact from Subsidiaries' Different Tax Rates	-465,717.35
Adjust for Impact from Income Tax Expense in Previous Period	-1,643,314.38

Impact from Non-taxable Income	-3,115,509.21
Non-Deductible Costs, Expenses and Losses	9,484,414.24
Impact from deductible temporary losses due to Unrecognized Deferred tax Asset at early stage of Current Period	-685,296.10
Impact from deductible temporary difference or losses due to Unrecognized Deferred tax Asset at the end of Current Period	13,605,204.99
Income tax expense	2,229,168,424.15

7.46. Other comprehensive income

Detail in Note 7. 31

7.47. Notes to the cash flow statement

7.47.1 Cash Received from Other Operation Activities

Item	Current Period Amount	Previous period Amount
Risk deposit	47,312,595.70	18,084,975.17
Security deposit	153,130,574.87	
Interest income	48,793,842.12	35,922,111.00
Liquidated damages	16,210,476.66	7,247,389.96
Service charge from withholding taxes	2,400,925.65	5,072,081.31
Government grants	35,893,640.94	20,723,821.47
Intercourse funds and others	123,690,396.17	33,996,755.91
Total	427,432,452.11	121,047,134.82

7.47.2. Cash Paid for Other Operating Activities

Item	Current Period Amount	Previous Period Amount
Traffic expense	275,767,664.19	265,080,768.37
Advertising promotion expense	1,150,193,005.98	834,463,674.35
Rental expense	15,515,018.50	13,860,579.38
Repair charge	45,714,951.47	39,009,754.21
Travel expense	313,614,903.30	277,572,507.31
Entertainment expense	15,832,355.68	16,435,295.33
Insurance expenses	2,398,922.19	2,695,859.61
Labor cost	113,395,206.68	106,182,629.07
Intercourse funds and others	282,226,385.55	557,442,466.53
Total	2,214,658,413.54	2,112,743,534.16

7.47.3. Cash Received for Other Investment Activities

Item	Current Period Amount	Previous Period Amount
Government subsidies related to assets	5,116,000.00	
Total	5,116,000.00	

7.47.4 Cash Paid for Other Financing Activities

Item	Current Period Amount	Previous Period Amount
Payment of shareholders borrowed from subsidiary before the equity acquisition under the merge of not the same control	246,204,388.41	
Letter of credit deposits	1,500,000.00	
Bill financing		900,000,000.00
Total	247,704,388.41	900,000,000.00

7.48. Supplementary Information to Cash Flow Statement**7.48.1. Supplementary Information to Cash Flow Statement**

Item	Current Period Amount	Previous Period Amount
1. Reconciliation of net profit to cash flow from operating activities	--	--
Net Profit	6,618,786,143.67	5,804,929,113.99
Add: Provision for Asset Impairment	22,867,778.12	47,998,911.00
Depreciation of Fixed Asset, Oil & Gas Assets and Productive Biological Assets	644,638,788.64	629,710,645.12
Amortization of Intangible Assets	45,154,640.83	95,644,671.94
Amortization of Long-Term Deferred Expenses	1,101,434.65	5,241,156.99
Losses from Disposal of Fixed Assets, Intangible Assets and Other Long-Term Assets (Gains use "-")	8,598,844.11	5,823,628.96
Financial Expenses (Gains use "-")	11,709,839.52	-3,336,178.17
Losses on Investments (Gains use "-")	-623,953,064.97	-547,210,021.50
Decrease in deferred income tax assets (Gains use "-")	-81,584,147.28	28,714,211.70
Increase in deferred income tax liabilities (Losses use "-")	-541,555.63	-14,401,042.72
Decrease in inventories (Gains use "-")	-634,118,034.37	-883,707,312.20
Decrease in operating receivables (Gains use "-")	-20,895,686.14	-229,079,055.90

Increase in operating payables (Losses use “-”)	891,404,818.16	2,464,715,871.41
Net cash flows from operating activities	6,883,169,799.31	7,405,044,600.62
2. Significant Investing and Financing Activities not Involving Cash Flow:	--	--
3. Net Change in Cash & Cash Equivalents	--	--
Ending Balance of Cash	1,749,952,876.18	2,456,627,358.97
Less: Beginning Balance of Cash	2,456,627,358.97	4,707,796,539.41
Net Change in Cash and Cash Equivalents	-706,674,482.79	-2,251,169,180.44

7.48.2. Net Cash Paid during Current Period for Subsidiaries' Acquisitions

Item	Amount
Cash & Cash Equivalents Paid for Business Combinations during Current Period	11,707,369.77
Including:	--
ZYG TECHNOLOGY INVESTMENT LTD	1,707,369.77
Guizhou Welcome Drink Stock Co., Ltd.	10,000,000.00
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	
Less: Cash & Cash Equivalents Held by Subsidiaries at Purchase	11,171,466.93
Including:	--
ZYG TECHNOLOGY INVESTMENT LTD	3,399.08
Guizhou Welcome Drink Stock Co., Ltd.	27,542.66
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	11,140,525.19
Including:	--
Net Cash paid for Subsidiaries' Acquisitions	535,902.84

7.48.3. Composition of Cash & Cash Equivalent

Item	Beginning Balance	Ending Balance
1. Cash	1,749,952,876.18	2,456,627,358.97
Including: Cash on hand	4,883.33	9,416.09
Unrestricted Bank Deposit	1,726,983,843.15	2,454,194,648.21
Other Unrestricted Cash & Cash Equivalents	22,964,149.70	2,423,294.67
2. Ending Balance of Cash & Cash Equivalents	1,749,952,876.18	2,456,627,358.97

7.49. Assets with Restricted Ownership or Rights

Item	Ending Book Balance	Reason for Restriction
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Cash & Cash Equivalents	1,500,000.00	Letter of Credit Deposits
Total	1,500,000.00	--

7.50. Foreign Currency Transactions

7.50.1 Foreign Currency Transactions

Item	Ending Balance in Foreign Currency	Exchange Rate	Ending Balance in RMB
Cash & Cash Equivalents	--	--	353,971,704.10
Including: USD	54,045,724.59	6.5342	353,145,573.62
HKD	988,300.75	0.83591	826,130.48
Other Receivable			190,307.95
Including: HKD	227,665.60	0.83591	190,307.95
Account Payable			1,299,724.45
Including: USD	198,911.03	6.5342	1,299,724.45
Other Payable			2,036,701.39
Including: HKD	2,436,507.98	0.83591	2,036,701.39

7.50.2. Foreign Business Entities Disclosure

Company	Operation Site	Book-Keeping Currency	Choosing Reason
JSSJ Industry (HK) Holdings Co., Limited	Hong Kong, China	HKD	Currency in the main economic environment of business operations
ZYG E-Commerce HK Limited	Hong Kong, China	HKD	Currency in the main economic environment of business operations
ZYG LTD	Cayman Islands	USD	Currency in the main economic environment of business operations
YangHe International Investment Ltd	British Virgin Islands	USD	Currency in the main economic environment of business operations
ZYG TECHNOLOGY INVESTMENT LTD	British Virgin Islands	USD	Currency in the main economic environment of business operations
YANGHE CHILE SPA	Santiago, Chile	PESO	Currency in the main economic environment of business operations

8.Changes in Consolidated Scope

8.1. Business combinations involving enterprises not under common control

8.1.1. Business combinations involving enterprises not under common control incurred in current year

Target Company	Time of acquisition	Acquisition cost	% interest acquired	Acquisition method	Acquisition dates	Recognition basis of acquisition dates	Revenues of Acquired company from the acquisition dates to the year-end	Net profit of Acquired company from the acquisition dates to the year-end
ZYG TECHNOLOGY INVESTMENT LTD	31 March 2017	1,707,369.77	71.03%	Acquisition	31 March 2017	Change of shareholding		-124,825.67
Guizhou Welcome Drink Stock Co., Ltd.	16 August 2017	10,000,000.00	100.00%	Acquisition	16 August 2017	Change of shareholding		-5,628,223.11
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	13 September 2017	15,738,379.62	48.54%	Reduction of capital	13 September 2017	Change of shareholding		-68,491.34

Other explanation:

- (1) According to Equity Transfer Agreement between indirect holding subsidiary YangHe International Investment Ltd and Geng libin on 31 March 2017, Geng transferred 71.03% equity of ZYG TECHNOLOGY INVESTMENT LTD on his own behalf to YangHe International Investment Ltd with the price of 247,470.00 US dollars. From 31 March 2017 bring it into the scope of consolidated financial statements.
- (2) According to Acquisition Agreement between subsidiary Guizhou Guijiu Co.,Ltd.,Guizhou Guijiu Trade Co.,Ltd.and Liang mingfeng, Liang mingwang, Wang xiaojun on 12 August 2017, Guizhou Guijiu Co.,Ltd. acquire 3.5 million and 4 million shares of Guizhou Welcome Drink Stock Co., Ltd. owned by Liang mingfeng and Liang mingwang respectively, Guizhou Guijiu Trade Co.,Ltd acquire 2.5 million shares of Guizhou Welcome Drink Stock Co., Ltd. owned by Wang xiaojun, totally acquire 100% stock of Guizhou Welcome Drink Stock Co., Ltd., form business combinations involving enterprises not under common control, and transact the registration procedures for the change of industry and Commerce on 16 August 2017. From August 2017 bring it into the scope of consolidated financial statements.

- (3) According to resolution of the shareholder committee of joint venture Dream Blue Chuanhaihui (Shiyan) Trade Investment Co., Ltd., Dream Blue Chuanhaihui (Shiyan) Trade Investment Co., Ltd. reduce registered capital of 13.9 million yuan. Registered capitals is 20 million Yuan after reduction of capital, including 19 million yuan from company (95%), form business combinations involving enterprises not under common control, and transact the registration procedures for the change of industry and Commerce on 13 September 2017. From October 2017 bring it into the scope of consolidated financial statements.

8.1.2. Details of costs of combination and goodwill

Costs of combination	ZYG TECHNOLOGY INVESTMENT LTD	Guizhou Welcome Drink Stock Co., Ltd.	Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.
-- Cash consideration	1,707,369.77	10,000,000.00	
-- Fair value of previously held equity at acquisition dates			15,738,379.62
Total costs of combination	1,707,369.77	10,000,000.00	15,738,379.62
Less: Share of fair value of the identifiable net assets obtained Goodwill	-3,349,741.42	-1,333,195.25	12,332,837.20
Goodwill/ combined cost less than the amout of acquire fair value of net identifiable assets	5,057,111.19	11,333,195.25	3,405,542.42

8.1.3. Assets and liabilities of Target Company at acquisition dates

	ZYG TECHNOLOGY INVESTMENT LTD		Guizhou Welcome Drink Stock Co., Ltd.		Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	
	Fair value at acquisition dates	Carrying amount at acquisition dates	Fair value at acquisition dates	Carrying amount at acquisition dates	Fair value at acquisition dates	Carrying amount at acquisition dates
Cash and cash equivalents	3,399.08	3,399.08	27,542.66	27,542.66	11,140,525.19	11,140,525.19
Inventory			5,046,030.00	5,046,030.00		
Fixed assets			204,843,641.23	204,843,641.23	78,453.70	78,453.70
Intangible assets			39,316,500.00	27,800,000.00		
Construction-in-process			2,540,067.22	2,540,067.22		
Other receivable					2,963,000.00	2,963,000.00

Other current assets			688,361.04	688,361.04		
Accounts payable	3,388.45	3,388.45	250,916,212.40	250,916,212.40	1,200,045.00	1,200,045.00
Deferred Tax liabilities			2,879,125.00			
Other non-current liability	4,715,963.63	4,715,963.63				
Net assets	-4,715,953.00	-4,715,953.00	-1,333,195.25	-9,970,570.25	12,981,933.89	12,981,933.89
Less: Minority interests	-1,366,211.58	-1,366,211.58			649,096.69	649,096.69
Net assets obtained	-3,349,741.42	-3,349,741.42	-1,333,195.25	-9,970,570.25	12,332,837.20	12,332,837.20

8.2. Changes in consolidation scope due to other reasons

Explanation of consolidation scope changes caused by other reasons (e.g., new subsidiary, Clearing subsidiary, etc.) and related conditions:

- (1) On January 2017, subsidiary Su wine trade group Limited by Share Ltd. invest 10 million yuan to set up Jiangsu Blue Dream E-commerce Co., Ltd., there is no contribution of capital as of December 31, 2017. It will be incorporated into the consolidated financial statements from January 2017.
- (2) On March 2017, company invests 10 million yuan to set up Jiangsu Yanghe Weiketang Network Technology Co., Ltd., 0.3 million yuan has been contributed as of December 31, 2017. It will be incorporated into the consolidated financial statements from March 2017.
- (3) On October 12, 2017, company invest 5 million yuan to set up Suqian Sujiu Logistic Co.,Ltd., there is no contribution of capital as of December 31, 2017. It will be incorporated into the consolidated financial statements from October 2017.
- (4) On October 31, 2017, company set up YANGHE CHILE SPA in Santiago, Chile, there is no contribution of capital as of December 31, 2017. It will be incorporated into the consolidated financial statements from October 2017.

Clearing of subsidiary

- (1) Indirect holding subsidiary Taizhou Mengye Trading Co., Ltd. written off in current period, obtain the Allowe Notice to cancel the registration. It will not be incorporated into the consolidated financial statements from August 2017.
- (2) Indirect holding subsidiary Siyang Yanghe Package Service Co., Ltd. written off in current period, liquidation finished on December 2017, and acquired Notice of tax matters from Siyang Local Taxation Bureau first branch and Siyang State Taxation Bureau on December 12, 2017 and December 2, 2017 respectively, obtain the Allowe Notice to cancel the registration from Siyang Administration for Market Regulation. It will not be incorporated into the consolidated financial statements from December 31, 2017.

9. Interests in Other Entities

9.1. Interests in Subsidiaries

9.1.1 Group Composition:

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding		Acquisition method
				Direct	Indirect	
Jiangsu Yanghe Package Co., Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Liquor package	100.00%		Establishment
Nanjing Yanghe Blue Classic Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Commerce		100.00%	Establishment
Beijing Yanghe Commerce and Trade Co.,Ltd.	Fengtai, Beijing	Fengtai, Beijing	Commerce		100.00%	Establishment
Jiangsu Huaqu Wine Group Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Commerce		97.00%	Establishment
Suqian Tianhai Commerce and Trade Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce		100.00%	Establishment
Huaian Huaqu Wine Development Co.,Ltd.	Huaian, Jiangsu province	Huaian, Jiangsu province	Commerce		100.00%	Establishment
Suqian Yanghe Guibinguan Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Hotel industry	100.00%		Establishment
Jiangsu Huaqu Wine Group Nanjing Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Commerce		100.00%	Establishment
Sujiu Group Trade Joint-Stock Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce	83.63%	16.37%	Establishment
Wuxi Huaqu Wine Development Co.,Ltd.	Wuxi, Jiangsu province	Wuxi, Jiangsu province	Commerce		100.00%	Establishment
Taizhou Huaqu Wine	Taizhou, Jiangsu	Taizhou, Jiangsu	Commerce		100.00%	Establishment

Development Co.,Ltd.	province	province				
Taizhou Mengye Trading Co.,Ltd.	Taizhou, Jiangsu province	Taizhou, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Huaqu Wine Group Nantong Co.,Ltd.	Nantong, Jiangsu province	Nantong, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Huaqu Wine Group Suzhou Co.,Ltd.	Suzhou, Jiangsu province	Suzhou, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Huaqu Wine Group Yancheng Co.,Ltd.	Yancheng, Jiangsu province	Yancheng, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Yanghe Liquor Operation Mangement Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce	100.00%		Establishment
Jiangsu Shuanggou Liquor OperationCo.,Ltd.	Sihong, Jiangsu province	Sihong, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Dongdi Union International Trade Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce	100.00%		Establishment
Jiangsu Dongdixinghui International Trade Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce	100.00%		Establishment
Suqian Blue Dream Trade Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce		100.00%	Establishment
Siyang Lantu Liquor OperationCo.,Ltd.	Siyang, Jiangsu province	Siyang, Jiangsu province	Commerce	100.00%		Establishment
JSSJ Industry (HK) Holdings Co., Limited	Hong Kong, China	Hong Kong, China	CORP		100.00%	Establishment

Siyang Yanghe Package Service Co.,Ltd.	Siyang, Jiangsu province	Siyang, Jiangsu province	Liquor package	100.00%		Establishment
Hubei Lihuacun Trade Co.,Ltd.	Shiyan, Hubei province	Yunxian, Hubei province	Commerce		100.00%	Establishment
Jiangsu Shuanggou Distillery Stock Co., Ltd.	Sihong, Jiangsu province	Sihong, Jiangsu province	Liquor manufacture and sales	99.99%	0.01%	Business combinations involving enterprises not under common control
Sihong Shuangtai Package Co.,Ltd.	Sihong, Jiangsu province	Sihong, Jiangsu province	Liquor packaging		100.00%	Business combinations involving enterprises not under common control
Sihong Shuanggou Antai waste recycling Co.,Ltd.	Sihong, Jiangsu province	Sihong, Jiangsu province	Waste material recycle		100.00%	Business combinations involving enterprises not under common control
Shiyan Baiquan Wine Industry Co., Ltd.	Shiyan, Hubei province	Yunxian, Hubei province	Process liquor, wine and fruit wine	100.00%		Business combinations involving enterprises not under common control
Miluo Miluo Chunjiuye Co.,Ltd.	Ningxiang, Hunan province	Ningxiang, Hunan province	Manufacture and sale of liquor and compound wine	100.00%		Business combinations involving enterprises not under common control
Harbin Binzhou Brewery Co.,Ltd.	Binxian, Heilongjiang province	Binxian, Heilongjiang province	Liquor-making	100.00%		Business combinations involving enterprises not under common control
Sujiu Group Jiangsu Wealth	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Assets/investment management, information	100.00%		Establishment

Management Co.,Ltd.			consultation			
Miluo Miluo Chunjiuye Trade Co.,Ltd.	Ningxiang, Hunan province	Ningxiang, Hunan province	Commerce		100.00%	Establishment
Jinagsu Kelite Biology Technology Research Institute Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Biological engineering research, enzyme preparation research and technology transfer	100.00%		Establishment
Xuzhou Huaqu Wine Development Co.,Ltd.	Xuzhou, Jiangsu province	Xuzhou, Jiangsu province	Commerce		100.00%	Establishment
Suqian Sky Blue Trade Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce		100.00%	Establishment
Shiyan Yunyang Lihuacun Package Service Co.,Ltd.	Shiyan, Hubei province	Shiyan, Hubei province	Liquor, compound wine, health wine packaging service		100.00%	Establishment
Jiangsu Lion and Sheep Network Technology Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Network technology development, technical consultation, technical services; Software development	100.00%		Establishment
Jiangsu Zhaiyougou E-commerce Co.,Ltd	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Commerce		100.00%	Business combinations involving enterprises not under common control
NanjingTongmeng City Logistics Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Freight Transport, Warehouse service		99.99%	Business combinations involving enterprises not under common

						control
Nanjing jinling Tongmeng City Logistics Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Nanjing Oubaosi International Trade Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Import and export business of self-run goods, agency goods and technology		100.00%	Business combinations involving enterprises not under common control
Huaian Tongmeng City Logistics Co.,Ltd.	Huaian, Jiangsu province	Huaian, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Changzhou Jiezzhong Tongmeng City Logistics Co.,Ltd.	Changzhou, Jiangsu province	Changzhou, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Nantong Tongmeng City Logistics Co.,Ltd.	Nantong, Jiangsu province	Nantong, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Suzhou Tongmeng City Logistics Co.,Ltd.	Suzhou, Jiangsu province	Suzhou, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Taizhou Tongmeng City Logistics Co.,Ltd.	Taizhou, Jiangsu province	Taizhou, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Wuxi Tongmeng	Wuxi, Jiangsu	Wuxi, Jiangsu	Freight		51.00%	Business

City Logistics Co.,Ltd.	province	province	Transport, Warehouse service			combinations involving enterprises not under common control
Yancheng Tongmeng City Logistics Co.,Ltd.	Yancheng, Jiangsu province	Yancheng, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Zhenjiang Tongmeng City Logistics Co.,Ltd.	Zhenjiang, Jiangsu province	Zhenjiang, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Yangzhou Tongmeng City Logistics Co.,Ltd.	Yangzhou, Jiangsu province	Yangzhou, Jiangsu province	Freight Transport, Warehouse service		53.00%	Business combinations involving enterprises not under common control
Suqian Tongmeng City Logistics Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Pizhou Tongmeng City Logistics Co.,Ltd.	Xuzhou, Jiangsu province	Xuzhou, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Lianyungang Huaxing Tongmeng City Logistics Co.,Ltd.	Lianyungang, Jiangsu province	Lianyungang, Jiangsu province	Freight Transport, Warehouse service		51.00%	Business combinations involving enterprises not under common control
Jiangsu Zhaibianli E-commerce	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Commerce		100.00%	Business combinations involving

Co.,Ltd						enterprises not under common control
Hongkong Zhaiyougou International Trade Co.,Ltd	Hong Kong,China	Hong Kong,China	Commerce		100.00%	Business combinations involving enterprises not under common control
Guizhou Guijiu Co.,Ltd.	Guiyang, Guizhou province	Guiyang, Guizhou province	Liquor production; Liquor and alcohol sales	100.00%		Business combinations involving enterprises not under common control
Guizhou Guijiu Liquor Operation Management Co.,Ltd.	Guiyang, Guizhou province	Guiyang, Guizhou province	Commerce		100.00%	Establishment
Guizhou Guijiu Trade Co.,Ltd.	Guiyang, Guizhou province	Guiyang, Guizhou province	Commerce		100.00%	Establishment
Guizhou Guijiu Package Co.,Ltd.	Guiyang, Guizhou province	Guiyang, Guizhou province	Guijiu series liquor, compound wine, health care wine packaging		100.00%	Establishment
Jinagsu Guanmeng Information Technology Co.,Ltd.	Suzhou, Jiangsu province	Suzhou, Jiangsu province	Information technology development		100.00%	Establishment
ZYG E-Commerce HK Limited	Hong Kong,China	Hong Kong,China	Industrial investment		100.00%	Business combinations involving enterprises not under common control
ZYG LTD	Cayman Islands	Cayman Islands	Industrial investment		69.08%	Business combinations involving enterprises not under common

						control
YangHe International Investment Ltd	British Virgin Islands	British Virgin Islands	Industrial investment		100.00%	Establishment
Nanjing Huiteng Media Technology Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Internet technology development, design, production, agency, release announcement		100.00%	Establishment
Jiangsu Shuanggou Healthy Liquor Research institute Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Healthy wine, nutrition and health food research and development		100.00%	Establishment
ZYG TECHNOLOGY INVESTMENT LTD	British Virgin Islands	British Virgin Islands	Industrial investment		71.03%	Business combinations involving enterprises not under common control
Jiangsu Blue Dream E-commerce Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Commerce		100.00%	Establishment
Jiangsu Yanghe Weiketang Network Technology Co.,Ltd.	Nanjing, Jiangsu province	Nanjing, Jiangsu province	Network technology development, technical consultation, technical service	100.00%		Establishment
Guizhou Welcome Drink Stock Co., Ltd.	Renhuai, Guizhou province	Renhuai, Guizhou province	Liquor manufacture and sales		100.00%	Business combinations involving enterprises not under common control
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	Shiyan, Hubei province	Shiyan, Hubei province	Industrial investment, Online business consultation	95.00%		Business combinations involving enterprises not under common control

Suqian Sujiu Logistics Co.,Ltd.	Suqian, Jiangsu province	Suqian, Jiangsu province	Road general cargo transport, cargo distribution, freight forwarder	100.00%		Establishment
YANGHE CHILE SPA	Santiago, Chile	Santiago, Chile	Movable and real estate investment services, building construction services	100.00%		Establishment

9.2. Interests in associates and a joint venture

9.2.1. The impact of the Group's associates on the Group is not significant. Summarized information is as follows:

	Ending Balance/Amount in current period	Beginning Balance/Amount in previous period
Associates:	--	--
Aggregated carrying amount of investments	1,980,046.94	21,029,470.42
Aggregate of the following items calculated in proportion to shareholding	--	--
Joint ventures:	--	--
Aggregate of the following items calculated in proportion to shareholding	--	--
--Net profit	-1,299,882.30	-3,893,529.35
-- Total comprehensive income	-1,299,882.30	-3,893,529.35

10. Risks Related to Financial Instruments

The Group is exposed to various financial risks in the ordinary course of business, mainly including: Credit risk, Liquidity risk, Market Risk, etc. The company's management is fully responsible for the formulation of risk management objectives and policies, and takes responsibility for risk management objectives and policies. The objective of the Group's risk management is to identify and analysis risk, minimizing the adverse impact of financial risks without excessive influence on the company's competitiveness and resilience.

10.1. Credit Risks

Credit risk refers to the risk that one party of the financial instruments fails to perform its obligations and causes the financial losses of the other party. Credit risk mainly related to accounts receivable, in order to control the risk, company takes the following measures:

(1) Account receivable

Company mainly trade with franchiser, according to company credit policy, adopts the way of delivery after the payments finished. For some group purchase business, only deal with the reputable group clients, and continuously monitor the balance of accounts receivable, as a result, there is no collateral required, credit risk management concentrate on the clients. The balance of accounts receivable is small till December 31, 2017. The company does not hold any collateral or other credit enhancement for the balance of accounts receivable.

(2) Other receivable

The other receivables are mainly deposits, security deposits and reservation fund, employee business loan and so on, which are related to infringement liability disputes. The company manages other receivables and continuously monitors its balance, to ensure the company does not face significant bad debt risks.

(3) The amount included in account receivables which does not overdue, impaired, and financial assets overdue but not impaired, duration analysis are as follows:

Item	Ending Balance				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Account receivable	5,149,816.55	3,621,893.85	12,493.33	2,049,351.46	10,833,555.19
Other receivable	14,638,635.49	2,497,442.07	7,213,051.26	14,839,793.55	39,188,922.37

(Continued)

Item	Beginning Balance				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Account receivable	10,606,134.17	215,155.07	634,408.63	2,070,727.13	13,526,425.00
Other receivable	11,429,831.72	8,983,426.12	1,027,111.55	10,310,940.86	31,751,310.25

(4) The impairment of company financial assets are Industrial And Commercial Bank Of China Limited Zhenzhou Jiefang Road Branch and Kaifeng Haode Branch 65,747,048.93 yuan deposit of Other receivable, the security deposit pay to Jiangsu Juntai Properties Co.,Ltd., Suqian Guotai Department Store Co.,Ltd. bankruptcy administrator 15,000,000.00 yuan, bad debts provision of individual event is 47,839,924.27 yuan, and investment to Suqian Traffic Investment Company Limited of available-for-sale financial assets measure by cost is 948,000.00 yuan, full provision is made for available-for-sale financial assets impairment provisions.

10.2. Liquidity Risk

Liquidity risk refers to the risk of capital shortage when enterprise performs its obligations related to financial liabilities. The company uses various financing methods such as bill clearing and bank loan to optimize the financing structure and maintain the balance between financing continuity and flexibility.

The company's financial liabilities according to the expiration of the remaining contract obligations as follows:

Item	Ending Balance
------	----------------

	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Notes payable	8,200,000.00				8,200,000.00
Account payables	1,111,403,574.47				1,111,403,574.47
Other payables	5,620,040,515.94				5,620,040,515.94
long-term loan		145,452.00			145,452.00
Special payable				199,107,530.75	199,107,530.75

(Continued)

Item	Beginning Balance				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Notes payable	960,000,000.00				960,000,000.00
Account payables	784,213,000.76				784,213,000.76
Other payables	4,867,632,425.33				4,867,632,425.33
long-term loan			181,816.00		181,816.00
Special payable				199,978,943.07	199,978,943.07

10.3. Market risk

Market risk is the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of market price, it mainly including: Interest rate risk, Foreign exchange risk, etc.

10.3.1. Interest rate risk

Interest rate risk refers to the fair value of financial instrument or future cash flow fluctuates due to the fluctuation of interest rate.

10.3.2. Foreign exchange risk

Foreign exchange risk arises from fluctuation in exchange rate, relevant to the assets and liabilities in foreign currency. The less import and export business happened, the lower impact of exchange rate fluctuation on company's operation.

The carrying amounts in RMB of the Group's assets and liabilities denominated in foreign currencies are summarized below:

Item	Ending Balance			Beginning Balance		
	Balance in foreign currency	Exchange rate	Balance in RMB	Balance in foreign currency	Exchange rate	Balance in RMB
Cash and cash equivalents						
Include: USD	54,045,724.59	6.5342	353,145,573.62	1,876,834.37	6.9370	13,019,600.02
HKD	988,300.75	0.83591	826,130.48	2,502,326.06	0.89451	2,238,355.68
Other receivables						
Include: USD				20.00	6.9370	138.74
HKD	227,665.60	0.83591	190,307.95	217,030.02	0.89451	194,135.52

Available-for-sale financial assets						
Include: USD	8,058,272.79	6.5342	52,654,366.05	8,112,175.00	6.9370	56,274,157.98
Account payables						
Include: USD	198,911.03	6.5342	1,299,724.45			
Other payables						
Include: HKD	2,436,507.98	0.83591	2,036,701.39			
Net amount			403,479,952.26			71,726,387.94

11.Related Parties and Related Party Transactions

11.1.The parent company of the Company

Name of Parent Company	Registration Place	Business Nature	Registered Capital	Shareholding Ratio by the Parent Company (%)	Voting Ratio by the Parent Company
Jiangsu Yanghe Group Co.,Ltd.	Suqian, Jiangsu	Sales of brewing machinery equipment, export of liquor, import of various raw and auxiliary materials, equipment and accessories required for production, industrial investment.	RMB 110.00 million	34.16%	34.16%

Information about the Company's parent company

The final control party of the Company is State-owned Assets Supervision and Administration Commission of Suqian

11.2. Subsidiaries of the Company:

The information about the subsidiaries of the Company refers to Note 9 Equity in Subsidiaries.

11.3. Joint venture and associate of the Company

The information about the joint venture and associate of the Company refers to the Notes. Other joint ventures and associates whose related party transactions with the Company in the current period or balance formed from related party transactions with the Company in the prior period.

Name of Joint Venture and Associate	Relationship with the Company
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.	Joint venture from January to September 2017 and holding subsidiary since October 2017
Jiangsu Sujiu cultural transmission Co.,Ltd.	Joint venture

11.4. Other related party

Name of Other Related Party	Relationship with the Company
Shanghai Haiyan Logistics Development Co.,Ltd.	Holding 9.67% shares
Suning Consumer Finance Co.,Ltd.	joint stock company, holding 10% shares

11.5. Related party transactions

11.5.1. Related transactions of purchase of goods / supply and receipt of labor services

Statement of Purchase of Goods / Receipt of Labor Services

Unit: RMB

Related Party	Transaction Content	Amount in 2017	Approved Transaction amount	Whether it is over transaction amount or not	Amount in 2016
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Statement of Sales of Goods and Rendering of Labor Services

Unit: RMB

Related Party	Transaction Content	Amount in 2017	Amount in 2016
Shanghai Haiyan Logistics Development Co.,Ltd.	Sales of liquor	21,254,112.01	19,859,376.09
Jiangsu Sujiu cultural transmission Co.,Ltd.	Sales of liquor	29,337,312.84	18,076,786.32
Jiangsu Zhaiyougou E-commerce Co.,Ltd. [Note]	Sales of liquor		3,240,000.00

Statement of Purchase and Sales of Goods, Supply and Receipt of Labor Services

[Note]Amount in 2016 was the related party transactions before share acquisition from January to March 2016.

11.5.2. Related party leasing

The Company as Lessor:

Unit: RMB

Name of Lessee	Type of Leased Asset	Leasehold Income Recognized during Current Reporting Period	Leasehold Income Recognized during Previous Reporting Period
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The Company as Lessee:

Unit: RMB

Name of Lessor	Type of Leased Asset	Leasing Fee Recognized during Current Reporting Period	Leasing Fee Recognized during Previous Reporting Period
Jiangsu Yanghe Group Co.,Ltd.	Building	666,666.67	198,198.20

11.5.3. Other related party transactions

Deposit Business

The holding subsidiary Sujiu Group Jiangsu Wealth Management Co.,Ltd. separately deposited RMB 60 million,RMB 40 million and RMB 50 million in Suning Consumer Finance Co.,Ltd. as one-year deposit. The total deposit is RMB 150 million.

11.6.Receivables and payables of related parties

11.6.1. Payables

Unit: RMB

Item	Related Party	Ending Balance	Beginning Balance
Payment in Advance	Shanghai Haiyan Logistics Development Co.,Ltd.	244,800.00	2,319.00
Other Payables	Shanghai Haiyan Logistics Development Co.,Ltd.	120,920.00	20,553,000.00
Other Payables	Jiangsu Sujiu cultural transmission Co.,Ltd.	100,000.00	

12.Commitments and Contingencies

12.1. Significant commitments

Significant commitments existing on the balance sheet date

By the end of December 31st 2017, there were no important commitment issues to be disclosed.

12.2. Contingencies

12.2.1 Significant contingencies existing on the balance date

The holding subsidiary Sujiu Group Trade Joint-Stock Co.,Ltd. deposited RMB 1.3 billion in ICBC Zhengzhou Jiefang Road Sub-branch and ICBC Kaifeng Dehao Sub-branch. For the tort liability dispute events, Su wine trade group Limited by Share Ltd. had started civil proceedings to recover losses from the relevant responsible unit and person. On 12 February 2015, Jiangsu Suqian intermediate people's court received the case acceptance notice and accepted and heard the case. Jiangsu Suqian intermediate people's court sent civil ruling paper separately on 30 October 2015 and 14 December 2015. The above tort liability dispute events were accepted by Jiangsu Suqian intermediate people's court. Some infringers involved in criminal offence were tried. The above civil lawsuits are still in the process of trial. By the end of 31 December 2017, the amount not yet recovered was RMB 65,747,048.93.

Except for the above event, by the end of 31 December 2017, the Company had no other significant contingencies required to be disclosed.

13. Post Balance Sheet Event

13.1. the distribution of profits

Unit: RMB

Profits or dividends planed to be distributed	3,842,819,400.00
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13.2. Other description for post balance sheet events

Significant foreign investment

On 5 January 2018, the holding subsidiary of the Company, Yanghe Chile SpA purchased 4,996,212,080 shares of VSPT, Viña San Pedro Tarapacá S.A. by bidding. The proportion of the total share capital is 12.50%. The price per share is 7.90 peso.

Except for the above event, the Company had no other post balance sheet events required to be disclosed by the end of 26 April 2018.

14. Notes to Main Items of Parent Company Financial statements

14.1. Accounts receivable

14.1.1 Disclosure of accounts receivable by categories

Type	Ending balance			Beginning balance		
	Book balance	Provision for bad debt	Book	Book	Provision for bad debt	Book

					value	balance				value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)		Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Accounts receivable tested for impairment on a portfolio basis	7,526,709,429.22	100.00 %			7,526,709,429.22	1,855,067,908.49	100.00 %			1,855,067,908.49
Total	7,526,709,429.22	100.00 %			7,526,709,429.22	1,855,067,908.49	100.00 %			1,855,067,908.49

Unit: RMB

Accounts receivable with significant single amount and tested for impairment individually:

☐ Applicable ☒ N/A

In the portfolio, accounts receivable tested for impairment by aging analysis method:

☐ Applicable ☒ N/A

In the portfolio, accounts receivable tested for impairment by balance percentage method:

☐ Applicable ☒ N/A

In the portfolio, accounts receivable tested for impairment by other methods:

Other portfolios are account receivables of holding subsidiaries with no provision for bad debt.

14.1.2.Top five entities with the largest balances of the account receivables

Name of debtors	Ending balance	Proportion in the total (%)	Provision Amount
Jiangsu Yanghe Liquor Operation Managment Co.,Ltd	6,667,481,941.23	88.58	
Siyang Lantu Liquor Operation Co.,Ltd.	479,592,284.37	6.37	
Jiangsu Dongdi Union International Trade Co.,Ltd.	204,709,486.55	2.72	
Jiangsu Shuanggou Distillery Stock Co.,Ltd.	94,826,123.22	1.26	
Miluo Miluo Chunjiuye Co.,Ltd.	31,301,728.79	0.42	
Total	7,477,911,564.16	99.35	

14.2. Other receivables

14.2.1 Disclosure of other receivable by categories

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)		Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Other receivables with significant single amount and tested for impairment individually	15,000,000.00	1.27%	15,000,000.00	100.00%		15,000,000.00	0.14%	15,000,000.00	100.00%	
Other receivables tested for impairment on a portfolio basis	1,161,729,311.41	98.73%	1,363,179.37		1,160,366,132.04	10,363,606,962.49	99.86%	1,145,480.75		10,362,461,481.74
Total	1,176,729,311.41		16,363,179.37		1,160,366,132.04	10,378,606,962.49		16,145,480.75		10,362,461,481.74

Other receivable with significant single amount and tested for impairment individually:

√ Applicable □ N/A

Unit: RMB

Other receivables (by unit)	Ending balance			
	Other receivables	Provision for bad debt	Proportion of Provision	Reason
Jiangsu Juntai Properties Co.,Ltd., Suqian Guotai Department Store Co.,Ltd. bankruptcy administrator	15,000,000.00	15,000,000.00	100.00%	Estimated unable to recover
Total	15,000,000.00	15,000,000.00	--	--

In the portfolio, accounts receivable tested for impairment by aging analysis method:

√ Applicable □ N/A

Unit: RMB

Aging	Ending Balance		
	Other receivables	Provision for bad debt	Proportion of Provision
Subtotal of amount within 1 year			
Subtotal of amount within 1 year	3,198,436.61	159,921.84	5.00%
1-2 years	294,595.44	29,459.54	10.00%
2-3 years	1,381,353.00	414,405.90	30.00%
3-4 years	181,525.40	90,762.70	50.00%
4-5 years	716,850.78	573,480.62	80.00%
Over 5 years	95,148.77	95,148.77	100.00%
Total	5,867,910.00	1,363,179.37	23.23%

Statement of determining the basis of portfolio:

In the portfolio, accounts receivable tested for impairment by balance percentage method:

□ Applicable √ N/A

In the portfolio, other receivable tested for impairment by other methods:

√ Applicable □ N/A

Other portfolios are receivables of holding subsidiaries with no provision for bad debt.

14.2.2. Provision, recovery or reversal for bad debt in the current period.

The provision for bad debt was RMB 480,654.94 in the current period; The amount of recovery or reversal was RMB 0.00.

Significant recovery or reversal for bad debt in the current period:

Unit: RMB

Company name	recovery or reversal	Way of recovery
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14.2.3. Disclosure of other receivable by nature

Unit: RMB

Nature	Ending balance	Beginning balance
Loans of subsidiaries within the scope of the merger	1,155,861,401.41	10,357,689,016.70
Deposit	15,020,000.00	15,770,022.17
Business loans and cash reserve	3,572,581.57	1,561,174.87
Other	2,275,328.43	3,586,748.75
Total	1,176,729,311.41	10,378,606,962.49

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

Unit: RMB

Company Name	Category	Ending Balance	Aging	Proportion in total receivables (%)	Provisioning amount at period end
Guizhou Guijiu Co.,Ltd.	Loans	598,294,192.86	RMB 345,078,300.00 within 1 year ,RMB 253,215,892.86 in 1 to 2years	50.84%	
YANGHE CHILE SPA	Loans	326,710,000.00	Within 1 year	27.76%	
Sujiu Group Jiangsu Wealth Management Co.,Ltd.	Loans	113,725,408.38	Within 1 year	9.67%	
Shiyan Baiquan Wine Industry Co.,Ltd.	Loans	98,893,000.00	RMB 4,160,000.00 within 1 year ,RMB 4,373,000.00 in 1 to 2 years, RMB 33,960,000.00 in 2 to 3years, RMB 16,600,000.00 in 3 to 4 years,RMB 39,800,000.00 in 4 to 5years	8.40%	
Jiangsu Juntai Properties Co.,Lt., Suqian Guotai Department Store Co.,Ltd. bankruptcy administrator deposit	Deposit	15,000,000.00	Over 5 years	1.28%	15,000,000.00
Total	--	1,152,622,601.24	--	97.95%	15,000,000.00

14.3. Long-term equity investments

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	book value	Book balance	Impairment provision	book value
Investment in subsidiaries	5,408,241,18 0.24		5,408,241,18 0.24	2,596,152,80 0.62		2,596,152,80 0.62
Investment of the joint venture and Associated Enterprise				18,813,015.0 4		18,813,015.0 4
Total	5,408,241,18 0.24		5,408,241,18 0.24	2,614,965,81 5.66		2,614,965,81 5.66

14.3.1. Investment in subsidiaries

Unit: RMB

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision for impairment of the current period	End balance of provision for impairment
Jiangsu Yanghe Package Co.,Ltd.	153,109,422. 39			153,109,422. 39		
Suqian Yanghe Guibinguan Co.,Ltd.	700,000.00			700,000.00		
Jiangsu Shuanggou Distillery Stock Co.,Ltd.	1,713,152,32 0.00			1,713,152,32 0.00		
Su wine trade group Limited by Share Ltd	285,225,078. 23			285,225,078. 23		
Jiangsu Yanghe Liquor Operation Managment Co.,Ltd	10,983,280.0 0			10,983,280.0 0		
Jiangsu Dongdi Union International Trade Co.,Ltd.	5,000,000.00			5,000,000.00		
Jiangsu Dongdixinghui	5,000,000.00			5,000,000.00		

International Trade Co.,Ltd						
Siyang Lantu Liquor Operation Co.,Ltd.	3,161,700.00			3,161,700.00		
Shiyan Baiquan Wine Industry Co.,Ltd.	3,000,000.00			3,000,000.00		
Siyang Yanghe Package Service Co.,Ltd.	4,000,000.00		4,000,000.00			
Miluo Miluo Chunjiuye Co.,Ltd.	2,129,000.00			2,129,000.00		
Harbin Binzhou Brewery Co.,Ltd.	2,000,000.00			2,000,000.00		
Sujiu Group Jiangsu Wealth Management Co.,Ltd.	200,000,000.00	2,800,000,000.00		3,000,000,000.00		
Jinagsu Kelite Biology Technology Research Institute Co.,Ltd.	10,000,000.00			10,000,000.00		
Jiangsu Lion and Sheep Network Technology Co.,Ltd.	5,392,000.00	50,000.00		5,442,000.00		
Guizhou Guijiu Co.,Ltd.	193,300,000.00			193,300,000.00		
Jiangsu Yanghe Weiketang Network Technology		300,000.00		300,000.00		

Co.,Ltd.						
Dream Blue Chuanhaihui (Shiyan) Trade Investment Co.,Ltd.		15,738,379.62		15,738,379.62		
Total	2,596,152,800.62	2,816,088,379.62	4,000,000.00	5,408,241,180.24		

14.3.2. Investment of the joint venture and associated enterprise

Unit: RMB

Investee	Beginnin g Balance	Changes in Current Period								Ending Balance	Ending Balance o f provision for depreciati on
		Increase	Decrease	Profit or loss recognized under equity method	Other adjustme nts in overall income	Other changes in equity	Announc ement to pass cash divided or profit	Provision for depreciati on	Other		
1.Joint Venture											
2.Associated Enterprise											
Dream Blue Chuanh aihui (Shiyan) Trade Investm ent Co.,Ltd.	18,813, 015.04		-1,000, 000.00	-2,074, 635.42					-15,738 ,379.62	0.00	
Subtotal	18,813, 015.04		-1,000, 000.00	-2,074, 635.42					-15,738 ,379.62	0.00	
Total	18,813, 015.04		-1,000, 000.00	-2,074, 635.42					-15,738 ,379.62		

14.3.3. Operating income and operating costs

Unit: RMB

Item	Current Period		Previous Period	
	Operating income	Operating cost	Operating income	Operating cost
Primary business	6,723,099,100.17	5,495,546,962.23	6,409,829,378.90	5,527,753,361.73
Other business	564,333,847.88	529,578,197.52	484,995,549.30	479,758,300.60
Total	7,287,432,948.05	6,025,125,159.75	6,894,824,928.20	6,007,511,662.33

14.3.4. Investment income

Unit: RMB

Item	Current Period	Previous Period
Income from long-term equity investments under the cost method	5,590,572,005.23	4,665,873,473.65
Income from long-term equity investments under the equity method	-2,074,635.42	-4,128,507.78
Investment income from the disposal of long-term equity investment	5,873,795.89	-12,746,480.13
Investment income from holding available-for-sale financial assets	13,940,148.16	22,535,410.38
Investment income from the disposal of available-for-sale financial assets	90,627,738.02	130,338,112.14
Other investment income	218,369,154.01	52,657,190.75
Total	5,917,308,205.89	4,854,529,199.01

15. Supplementary Information

15.1. Detailed statement of non-recurring profits and losses

√ Applicable □ N/A

Unit: RMB

Item	Amount	Notes
Profit or loss from disposal of non-current assets	-8,598,844.11	
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	44,745,640.94	
Except for effectively hedging business related to normal business operations of the company, profit or loss arising from the change in the fair value of held-for-trading financial assets and liabilities, as well	90,627,738.02	Disposal of available-for-sale financial assets

as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets		
Impairment provision reversal of the accounts receivable on which the impairment test is carried out separately	300,000.00	
Other non-operating income and expenditure except above-mentioned items	11,559,390.23	
Other profit and loss items that conform to the definition of non-recurring gains and losses	516,824,879.08	
Less: Effect of income tax	164,658,711.09	
Effect of minority equity	17,057.62	
Total	490,783,035.45	--

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

☐ Applicable ☒ N/A

15.2. Return on Equity & Earnings per Share

Profit During Reporting Period	Weighted Average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	24.08%	4.40	4.40
Net profits attributable to ordinary shareholders of the Company after deduction of extraordinary gain and loss	22.30%	4.07	4.07

Section XII Documents Available for Preference

1. Financial statements signed and stamped by the legal representative, the financial head and the accounting supervisor;
2. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
3. The originals of all company documents and announcements that are disclosed to the public via reports designated by CSRC during the Reporting Period;
4. The original of the 2017 annual report signed by the legal representative.

The above documents placed in shareholder reading room of corporate headquarters.

Address: No.118 Middle Avenue, Yanghe Town, Suqian City, Jiangsu Province