

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

## **2022 Annual Report**

**Final 2023-01**



**April 13, 2023**

## Contents

<b>I、 Important Notice, Contents and Definition .....</b>	<b>3</b>
<b>II、 Brief Introduction for the Company and Main Financial Indicators .....</b>	<b>6</b>
<b>III、 Management Discussion and Analysis .....</b>	<b>11</b>
<b>IV、 Corporate Governance .....</b>	<b>34</b>
<b>V、 Environmental and Social Responsibility .....</b>	<b>43</b>
<b>VI、 Major issues .....</b>	<b>61</b>
<b>VII、 Changes in Shares and Shareholders' Situation .....</b>	<b>70</b>
<b>VIII、 Related Situation of Preferred Shares .....</b>	<b>79</b>
<b>IX、 Related Situation of Bonds .....</b>	<b>79</b>
<b>X、 Financial Report .....</b>	<b>79</b>

## 2022 Annual Report

### I. Important Notice, Contents and Definition

The board of directors, the board of Supervisors, directors, supervisors and senior executives of the Company guarantee the truthfulness, accuracy and completeness of the contents contained in the report with no false records, misleading statements or significant omissions, and undertake individual and joint legal liabilities.

Mr. Hongjiang Zhou (Person in charge of the Company), Mr. Jianxun Jiang (Person in charge of accounting work) and Ms. Cuimei Guo (Person in charge of accounting organ & Accountant in charge) assure the truthfulness, accuracy and completeness of the financial report in the annual report.

Except for the following director, other directors attended this board meeting for reviewing this annual report in person.

Name of director not attending the meeting personally	Position of director not attending the meeting personally	Reason of not attending the meeting personally	Name of entrustee
Aldino Marzorati	Director	On a business trip	Enrico Sivieri

Forward-looking statements such as future plans and development strategies covered in this report do not constitute a substantial commitment of the Company to investors. Investors are advised to pay attention to investment risks.

About significant risks that may be faced in production and operation process, please refer to “(5) Potential Risks” of “11. Expectation for the Company’s Future Development” in the “III. Management Discussion and Analysis” of this report. Investors are advised to read carefully and pay attention to investment risks.

The Company’s preliminary scheme of profit distribution deliberated and passed by the board of directors this time is shown as following: Based on the Company’s total 685,464,000 shares, the Company plans to pay CNY4.5 (including tax) in cash as dividends for every 10 shares to all shareholders and send 0 bonus share (including tax); capital reserve will not be transferred to equity.

## Reference Documents

- (1) The original of Annual Report autographed by the Chairman.
- (2) The Financial Statements autographed and signed by the Chairman, Chief Accountant and Accountant in charge.
- (3) The *Prospectus* and *Public Offering Announcement* for Stock B issued in 1997; The *Prospectus of Intent* and *The Shares' Change & A Share's Public Offering Announcement* for Stock A issued by the capital increase in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

## Definition

Definition Item	Refers to	Definition Content
Company/The Company	Refers to	Yantai Changyu Pioneer Wine Co., Ltd.
Changyu Group/Controlling Shareholder	Refers to	Yantai Changyu Group Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
KPMG Huazhen	Refers to	KPMG Huazhen LLP (Limited Liability Partnership)
CNY	Refers to	Chinese Yuan

## II. Brief Introduction for the Company and Main Financial Indicators

### 1. Company's information

Stock Abbreviation	Changyu A, Changyu B	Stock Code	000869, 200869
Stock Abbreviation after Alteration	-		
Place of Stock Listing	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酒股份有限公司		
Abbreviation of Chinese Name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English Name	CHANGYU		
Legal Representative	Hongjiang Zhou		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code of Registered Address	264000		
Historical Change in Registered Address	No		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code of Office Address	264000		
Website	<a href="http://www.changyu.com.cn">http://www.changyu.com.cn</a>		
E-mail	webmaster@changyu.com.cn		

### 2. Contact person and information

	Secretary to the Board of Directors	Authorized Representative of Securities Affairs
Name	Mr. Jianxun Jiang	Mr. Tingguo Li
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel.	0086-535-6602761	0086-535-6633656
Fax.	0086-535-6633639	0086-535-6633639
E-mail	jiangjianxun@changyu.com.cn	stock@changyu.com.cn

### 3. Information disclosure and filing location

Stock exchange website for disclosing annual report	Shenzhen Stock Exchange ( <a href="http://www.szse.cn">http://www.szse.cn</a> )
Media name and website for disclosing annual report	<i>China Securities Newspaper</i> , <i>Securities Times</i> , <i>Hong Kong Commercial Daily</i> and CNINFO website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Filing location of the Company's annual report	Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong

#### 4. Registration changes

Changes for the main businesses of the Company since it was listed	The business scope determined by the Company when it was established on September 18 <sup>th</sup> , 1997 is production, processing and sales of wine, distilled liquor, healthy liquor, fruit liquor, non-alcohol beverage, fruit jam, packing material and winemaking machine. On April 17 <sup>th</sup> , 2008, approved by the 2007 Annual Shareholders' Meeting, the Company's business scope was changed to production, processing and sales of wine, distilled liquor, medicinal liquor, fruit liqueur, non-alcohol beverage, fruit jam, packing material and winemaking machines; licensed import and export. On May 12 <sup>th</sup> , 2010, approved by the 2009 Annual Shareholders' Meeting, the Company's business scope was changed to production, processing and sales of wine, distilled liquor, medicinal liquor, fruit liqueur, non-alcohol beverage, fruit jam, packing material and its products and winemaking machinery; licensed import and export; external investment subject to national policy. On September 23 <sup>rd</sup> , 2016, approved by The 1 <sup>st</sup> Interim Shareholders' Meeting in 2016, the Company's business scope was changed to production of wine and fruit wine (bulk wine, processing and filling); production of blending liquor and other blending liquors (grape liqueur); production of other liquors (other distilled liquors); production, processing and sales of packing material and winemaking machines; grape plantation and procurement; tourism resources development (excluding tourism); packaging design; activity of building rental; licensed import and export; warehouse business; external investment subject to national policy.
Changes for all previous controlling shareholders	No

#### 5. Other relevant information

The accounting firm appointed by the Company

Name	KPMG Huazhen LLP
Address	Level 8, No.2 East Wing of Dongfang Square, No.1 East Chang'an Street, Beijing
Name of signatory accountants	Ms. Ting Wang, Ms. Hui Jiang

The sponsor institution appointed by the Company to perform the duty of continuous supervision during the report period

Available     Not available

The financial adviser appointed by the Company to perform the duty of continuous supervision during the report period

Available     Not available

## 6. Key accounting data and financial indicators

Whether the Company needs to retrospectively adjust or restate the accounting data of previous fiscal years.

Yes  No

	2022	2021	Increase/decrease compared with last year (%)	2020
Operating revenue (CNY)	3,918,941,160	3,953,067,583	-0.86%	3,395,402,001
Net profit attributed to shareholders of the listed company (CNY)	428,681,411	500,102,606	-14.28%	470,860,587
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (CNY)	413,831,359	472,235,962	-12.37%	397,655,187
Net cash flows from operating activities (CNY)	868,876,647	1,125,382,658	-22.79%	505,146,673
Basic earnings per share (CNY)	0.63	0.73	-13.70%	0.69
Diluted earnings per share (CNY)	0.63	0.73	-13.70%	0.69
Weighted average for earning rate of net assets (CNY)	4.09%	4.84%	-0.75%	4.57%
	December 31, 2022	December 31, 2021	Increase/decrease compared with last year-end (%)	December 31, 2020
Total assets (CNY)	13,171,506,378	13,472,009,754	-2.23%	13,102,481,541
Net assets attributed to shareholders of the listed company (CNY)	10,579,053,733	10,447,884,183	1.26%	10,267,832,644

The lower of the net profits before non-recurring gains and losses and after non-recurring gains and losses in recent three fiscal years is negative and the audit report in recent one year indicates there is uncertainty in the Company's sustainable operation ability

Yes  No

The lower of the net profits before non-recurring gains and losses and after non-recurring gains and losses is negative

Yes  No

## 7. Differences in accounting data under PRC accounting standards and international accounting standards

**(1) Differences for net profit and net assets in the financial report disclosed according to both international accounting standards and PRC accounting standards**

Available  Not available

There are no differences for net profit and net assets in the financial report disclosed according to both international accounting standards and PRC accounting standards during the report period.

**(2) Differences for net profit and net assets in the financial report disclosed according to both foreign accounting standards and PRC accounting standards**

Available  Not available

There are no differences for net profit and net assets in the financial report disclosed according to both foreign accounting standards and PRC accounting standards during the report period.

**8. Key financial indicators by quarter**

Unit: CNY

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Operating revenue	1,165,989,959	787,102,176	857,930,890	1,107,918,135
Net profit attributed to shareholders of the listed company	290,587,744	67,871,859	75,890,351	-5,668,543
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses	284,168,658	60,140,364	68,081,711	1,440,626
Net cash flows from operating activities	299,300,737	306,972,858	132,417,260	130,185,792

Whether there are significant differences between the above mentioned financial indicators or their sum and the related financial indicators in the quarterly reports and semi-annual reports disclosed by the Company.

Yes  No

**9. Item and amount of non-recurring profit and loss**

Available  Not available

Unit: CNY

Item	2022	2021	2020	Explanation
Profits and losses on disposal of non-current assets (including the provision for asset impairment write-off part)	-18,902,024	-15,364,993	-1,165,162	
Government grants recorded into the current profits and losses(except for those government grants that are closely related to the enterprise's normal operation, in line with national policy provisions and in accordance with certain standard quota or ration continued to enjoy)	33,145,440	48,240,741	73,180,848	
Income generated from when the investment cost of the subsidiary, affiliated business and joint venture is less than the fair value of identifiable net assets of the invested entity should			0	

be enjoyed when the investment is acquired				
Current net profit or loss from the beginning of the period to the merger date of subsidiaries arising from merger under the same control			12,715,544	
Other non-operating revenues and expenditures in addition to the aforementioned items	4,750,614	2,328,169	10,098,551	
Less: Income tax effect	4,695,173	7,306,787	21,595,671	
Minority shareholders' equity effect (after taxes)	-551,195	30,486	28,710	
Total	14,850,052	27,866,644	73,205,400	--

Specific situation of other profit and loss items conforming to the definition of non-recurring profit and loss

Available  Not available

There does not exist specific situation of other profit and loss items conforming to the definition of non-recurring profit and loss.

Explanation for regarding the non-recurring profit and loss specified in the *Explanatory Announcement on Public Company's Information Disclosure No.1 –Non-recurring Profit and Loss* as recurrent profit and loss

Available  Not available

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

### III. Management Discussion and Analysis

#### 1. Situation of industry in which the Company operates during the report period

In 2022, the domestic wine market continued to decline due to the impact of the pressure from other liquors such as Baijiu and beers. The sales volume of imported wine and domestic wine continued the trend of “double decline”, and the rising costs of raw material and packaging further dragged down the profitability of enterprises. The vast majority of wine enterprises were in difficulty, and the domestic wine industry was still on the edge of loss.

In the face of difficulties and challenges, the Company persisted in taking the market as the center, adhered to the development strategy of “Focus on middle-and-high level, Focus on high quality, Focus on large single product” and the marketing philosophy of “obtaining growth from the terminal and nurturing consumers”, took market-oriented action to accelerate the pace of business division reform, actively carry out circle marketing and continue to promote digital transformation . In 2022, the Company realized the operating revenue of CNY3918.94million with a year-on-year decrease of 0.86% and the net profit attributable to the parent company’s shareholders of CNY428.68million with a year-on-year decrease of 14.28%, maintaining the leading role in the industry.

#### 2. Main businesses during the report period

The Company need to comply with the disclosure requirements of Food and Liquor Manufacturing Related Businesses in *Shenzhen Stock Exchange Industry Information Disclosure Guideline No. 3 - Industry Information Disclosure*.

##### (1) Situation of the industry in which the Company operates

During the report period, the Company’s main business was production and operation of wine and brandy, thus providing domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there were no significant changes happened to the Company’s main business. The wine industry that the Company involved in was still in growth stage. Being affected by many factors including slowing domestic economic growth and strong pressure from alternatives in recent years, the competition in the market was fierce, the wine consumption continuously declined, and a large number of wine production enterprises were on the brink of loss, even some wine enterprises were eliminated from the market. However, seen from the long term, the existing consumption concept might change with the increase of people’s income level and their pursuit of a relaxed, romantic and healthy lifestyle. More domestic wine would be drunk by people, and wine would enter more and more household consumption. The situation of current low average consumption of domestic wine would gradually improve. The Company was at the forefront in the domestic wine market and was significantly ahead of major domestic competitors.

The Company's products were divided into two series: wine and brandy. For wine, main brands included Changyu, Noble Dragon, AFIP, Longyu, Golden Ice Valley, Zenithwirl, Vermouth, Rena, Baron Balboa, J.LORMIN, Atrio, Kilikanoon and IWCC and so on. For Brandy, main brands included Koya, Mmini, Pageese, Roullet Fransac and so on.

(2) The production licenses of main products obtained by the Company in China

Producer name	Food category	Obtaining time	Obtaining method	Food production license number
Yantai Changyu Pioneer Wine Co., Ltd.	Alcohol	2021.06.01	Approval from government authority	SC11537060100050
Beijing Chateau Changyu AFIP Global Co., Ltd.	Alcohol	2022.08.22	Approval from government authority	SC11511280920745
Liaoning Changyu Golden Icewine Valley Co., Ltd.	Alcohol	2021.03.25	Approval from government authority	SC11521052200370
Ningxia Chateau Changyu Moser XV Co., Ltd.	Alcohol	2018.01.25	Approval from government authority	SC11564010500657
Xinjiang Chateau Changyu Baron Balboa Co., Ltd.	Alcohol	2017.08.25	Approval from government authority	SC11565900100392
Yantai Chateau Changyu-Castel Co., Ltd.	Alcohol	2021.06.08	Approval from government authority	SC11537063600172
Shaanxi Chateau Changyu Rena Co., Ltd.	Alcohol	2020.10.19	Approval from government authority	SC11561040400532
Yantai Chateau Koya Brandy Co., Ltd.	Alcohol	2021.01.11	Approval from government authority	SC11537063601165

(3) Explanation for other major events

During the report period, there did not exist the trademark ownership dispute, food quality issue or food safety incident etc. that had a significant impact on the Company.

Major sales mode

The Company's main sales mode was the distribution mode, and main sales channel was offline sales, that is, the Company's products were distributed to sales terminals through approximately 4,000 distributors at home and abroad and ultimately provided to consumers.

Distribution mode

 Available  Not available

## (1) Situation of change in the number of distributors

Region	Number at the beginning of 2022	Increased number during this report period	Number at the end of 2022
Eastern China	1857	79	1936
South China	565	40	605
Central China	476	-29	447
North China	365	-7	358
Northwest China	184	-14	170
Southwest China	493	-10	483
Northeast China	318	-6	312
HongKong, Macao, Taiwan China and overseas	573	29	602
Total	4831	82	4913

(2) The Company and distributors took cash spot settlement, and mainly adopted buyout distribution mode.

The ratio of sales in self-owned exclusive shop exceeds 10%

 Available  Not available

Sales of online direct selling

 Available  Not available

Sales model	2022			2021		
	Operating income (CNY)	Operating cost (CNY)	Gross margin	Operating income (CNY)	Operating cost (CNY)	Gross margin
Distribution	3,272,506,752	1,396,195,485	57.34%	3,263,303,800	1,349,422,481	58.65%
Direct sales	646,434,408	284,599,247	55.97%	689,763,784	298,367,393	56.74%
Total	3,918,941,160	1,680,794,732	57.11%	3,953,067,584	1,647,789,874	58.32%

The change in sales prices of major products accounting for more than 10% of total operating income in current report period exceeds 30% compared with those in last report period

Available  Not available

Procurement mode and procurement content

Unit: CNY'0000

Procurement mode	Procurement content	The amount of the main procurement content
Price determined by quality comparison with standard price items	Raw materials such as grapes/ bulk wine	66,633.60
Tender/Price determined by quality comparison with standard price items	Packaging materials	41,755.50
Tender/Price determined by quality comparison with standard price items	Brewing materials	2,364.30
Tender/Price determined by quality comparison with standard price items	Vineyard supplies	1,140.30
Contract	Fuel and power	4,739.90
Price determined by quality comparison with standard price items	Other wines and derivatives	2,736

Amount of purchasing raw materials from cooperatives or farmers exceeds 30% of total procedure amount

Available  Not available

The year-on-year change in the price of major outsourced raw materials exceeds 30%

Available  Not available

Major production mode

The production mode of the Company is self-produce.

Manufacturing consignment

Available  Not available

Major components of operating costs

Please refer to '4. Analysis in main business' in this chapter.

Yield and inventory

Please refer to '4. Analysis in main business' in this chapter.

### 3. Analysis of core competitiveness

Compared with the participants in the arena of the Chinese wine competition sector, the Company owns following advantages:

Firstly, the Company has a large brand influence. Main brands used have a long history. "Changyu", "Noble Dragon" and "AFIP" are all "China famous brands" that have strong influence and good reputation.

Secondly, the Company has set up a nationwide marketing network. The Company has formed a “three-level” marketing network system mainly composed of the Company’s salesmen and distributors and the online sales platform has had a certain scale and strong influence, owing strong marketing ability and market exploitation ability.

Thirdly, the Company has strong scientific prowess and a product R&D system. Relying on the country’s “State-level Wine R&D Center”, the Company has owned powerful winemaker team, mastered advanced winemaking technology and production processes and had strong product innovation capacity and perfect quality control system.

Fourthly, the Company is in possession of a lot of grape-growing bases that are compatible with its development requirements. The Company has developed a great deal of vineyards in the most suitable areas for wine grape growing such as Shandong, Ningxia, Xinjiang and Liaoning, and its subsidiary overseas enterprises also own matching grape bases in local area, making the overall scale and structure generally meet the Company’s needs for future development.

Fifthly, products in high, medium and low-grade as well as varieties and categories are all complete. Over 100 varieties of series products such as wine, brandy and sparkling wine covers various grades, including high, medium and low-grade, which can meet different consumer groups’ demands. The Company has taken the dominant status in the domestic wine industry after many years’ development and has comparative advantages in the future competition.

Sixthly, the Company has a relatively perfect motivation system. Most of Company’s employees indirectly hold the Company’s equity through controlling shareholders. There are high consistency between employee benefits and shareholders benefits, in favor of motivating employees to create value for shareholders.

Seventhly, the Company has set up flexible and efficient decision-making mechanism. The Company’s core management team always maintains a working style of unity and pragmatic and flexible and efficient decision-making mechanism, which makes the Company can deal with market changes more calmly.

Eighthly, the global production capacity layout has been basically completed. The Company has completed production capacity layout in China, France, Chile, Spain, Australia and other major wine producing countries in the world, enabling making better use of global high-quality raw material resources, capital, talents and advanced production processes and technologies to provide consumers with diversified quality products and better serve consumers.

Based on the above reasons, the Company has formed relatively strong core competence and will maintain a relatively dominant position in the future predictable market competition.

#### **4. Analysis in main business**

##### **(1) Summarization**

Description	Increase or decrease at the end of the period over the end of last year	Cause of significant changes
Operating revenue	-0.86%	Mainly because of decrease in sales volume
Operating cost	2.88%	Mainly because of increase in the procurement cost of raw materials and packaging materials
Sales expense	3%	Mainly because of increased marketing expense and service fee resulting from increased market investment
Management expense	-3.84%	Mainly because of the year-on-year decrease in rental expense and contract fee
R&D expense	41.32%	Mainly because of increase in research input, purchasing and updating scientific equipment
Financial expense	-65.74%	Mainly because of increase in interest income and decrease in expenditure
Net amount of cash flow generated in operating activities	-22.79%	Mainly because of the year-on-year increase in the cash paid for purchasing commodity and receiving labor service
Net amount of cash flow generated in investment activities	18%	Mainly because of the year-on-year increase in cash received from investment recovery
Net amount of cash flow generated in financing activities	-23.06%	Mainly because of the year-on-year decrease in cash received from loan

Review and summary of the process of the Company's early-disclosed development strategy and business plan during the report period

During the report period, the needs in the domestic wine industry was still small and the market competition was very intense. This Company realized the operating revenue of CNY3918.94million with a decrease of 0.86% compared with last year, lowing than the target fixed at the beginning of the year of realizing operating revenue no less than CNY4.3billion, and realized the net profit attributable to the parent company's shareholders of CNY428.68million with a decrease of 14.28% compared with last year. The main works during the report period were shown as followed:

Firstly, the Company accelerated the construction of business division system and improved marketing measures. The Longyu Business Division strengthened its organizational construction, developed and launched Long series products, reset the price system, focused on certain marketing methods, and persisted in developing group buyers and consumers to directly reach the C-end. The Chateau Wine Business Division increased the marketing efforts, reorganized the brands and products of each chateau, developed the master-co-signed AFIP Jiangya Yunhai gift box and the Castel Huakai Fugui product and so on, and formulated and promoted the overall layout planning. The Noble Dragon Business Division implemented city classification management, strengthened product delivery control, vigorously promoted banquet promotion, and formulated distributor file management measures, improving the market environment and distributor confidence. The

Imported Wine Business Division focused on some brands, further optimized the product structure, set up classified cities, and launched new products such as Kilikanoon Crown and IWCC Aoma, which promoted the good development of the market brands. The Brandy Business Division insisted on high-end focus, market focus and marketing action focus, constantly improved the distributor system, accelerated the layout of Koya distributors, continued to summarize and promote the successful marketing cases of Koya, steadily promoted the construction of Koya XO Cultural Experience Museum, developed and launched 43 ° Master version of Koya Men-40 products, Koya 12-years, Koya 20-years and Koya 1915 Panama Memorial products. The Online Business Division increased the sales proportion of middle-and-high-end products, ranked first among five e-commerce platforms such as T-mall, Jingdong, Pinduoduo, Douyin and Kuaishou during the period of Double Eleven. The Tourism Division assisted in the completion of the museum upgrading project, actively promoted the strategic cooperation with well-known cultural and tourism group company in China, and further reduced the number of management personnel of tourism units in allopatric places.

Secondly, the Company strengthened the quality details management and constantly improved product quality. The Company fully implemented the “Provisions on the Supervision and Management of Enterprises’ Implementation of Food Safety Subject Responsibility”, and further improved the quality and safety management structure. The Company obtained 3 new national invention patents and 1 utility model patent. Two scientific and technological achievements, such as “Research on Flavor and Style Characteristics of Chinese Brandy”, were identified as “international leading level” by China National Light Industry Council. The project of “Research on Key Common Indexes of High Quality Brandy Flavor and Its Application in National Standards and Industrialization” was listed in the science and technology innovation projects of Shandong Province. The project “Research and Industrialization Application in Key Brewing and Wine-making Technology of Chinese Characteristic ‘Cabernet Gernischt’ Grape Strain” won the first prize of Science and Technology Progress of China Alcoholic Drinks Association. The Company participated in 20 international and domestic wine and spirits competitions, and won 25 grand gold awards and 75 gold awards, which were significantly higher than that in 2021.

Thirdly, the Company orderly implemented series of activities for the 130th anniversary, enhancing the brand influence. The Company systematically organized activities related to China Wine Culture Month and the 130th anniversary, including the unveiling ceremony of “China Wine Time Art Exhibition”, the opening of China Wine Technology and Quality Development Conference & China Alcoholic Drinks Association’s 2022 Annual Meeting of National Wine Evaluation Committee, the reopening of the revitalized and upgraded Wine Culture Museum, the CCTV “Chinese Typical Scenery and Objects Collection” into Changyu, the first Vineyard concert in China especially for the 130th anniversary of Changyu, and staff photography/painting/essay contest. Moreover, it actively took participation in the creation of the large-scale urban development convergence media program “Central City of Young - Tipsy Yantai • Sharing Night” co-sponsored by Yangshipin of Central Radio and Television Station and Yantai City, in which the Company implanted Changyu contents in multiple aspects and further enhanced the influence of century-old Changyu brand.

Fourthly, the Company further improved financial management and strengthened audit supervision. The Company completed the key expenses audit, the assets integrity and effectiveness audit, the resignation audit to 40 business unit managers, the investigation in bad assets and economic responsibility and other special audit, and conducted responsibility investigation and punishment to the person liable. It also strengthened fund management, took various measures to save financing costs, and increased financial interest income through structured deposits and agreed deposits etc.. The intelligent reimbursement system of Maycur was carried out to promote the integrated development of business/finance, which improved operating efficiency. The Company strengthened financial supervision and management in overseas enterprises whose annual investment scale was strictly controlled, actively coordinated with banks to relieve the financing pressure of overseas enterprises, and saved interest expenses.

Fifthly, the Company abode by the concept of safety, and conducted prevention and safety work in an orderly manner. During the report period, all the company personnel consolidated their thinking and understanding, clarified the main responsibility of prevention and control, adhered to the principle of “checking the entrance qualification, managing the personnel, controlling the materials, making the backup plan”, and strengthened closed-loop management, achieving the expected effect of prevention and control and ensuring the stable development of the market and the normal operation of the company’s business. The Company firmly established the concept of safety development, adhered to the policy of “safety first, prevention oriented, comprehensive management”, effectively strengthened safety management, and put an end to the occurrence of major safety accidents.

Sixthly, the Company carefully organized and successfully completed the acquisition of grape raw materials. Through scientific organization and planning, the Company overcame the difficulties of multiple distribution points of grape bases, large geographical span, tight time in grape acquisition and processing, heavy tasks, large labor intensity, long duration, limited personnel flow and serious shortage of manpower during the control period and so on, and completed the purchase work of grape raw materials with high quality and specified quantity, providing reliable raw material guarantee for future production and management.

## (2) Revenue and cost

### ① Composition of operating revenue

Unit: CNY

	2022		2021		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	3,918,941,160	100%	3,953,067,583	100%	-0.86%
Sector-classified					
Sector of liquor and alcoholic beverage	3,918,941,160	100%	3,953,067,583	100%	-0.86%
Product-classified					

Wine	2,841,437,996	72.51%	2,834,114,276	71.69%	0.26%
Brandy	990,847,691	25.28%	1,036,164,837	26.22%	-4.37%
Tourism	76,422,314	1.95%	73,192,187	1.85%	4.41%
Others	10,233,159	0.26%	9,596,283	0.24%	6.64%
Area-classified					
Domestic	3,320,757,555	84.74%	3,421,775,481	85.09%	-2.95%
Overseas	598,183,605	15.26%	531,292,102	14.91%	12.59%
Sales model- classified					
Distribution	3,272,506,752	83.50%	3,263,303,800	82.55%	0.28%
Direct sales	646,434,408	16.50%	689,763,783	17.45%	-6.28%

② The industry, product, region and sales model that account for over 10% of the Company's operating revenue or operating profit

Available  Not available

Unit: CNY

	Operating revenue	Operating cost	Gross margin	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	3,918,941,160	1,680,794,732	57.11%	-0.86%	2%	1.21%
Product-classified						
Wine	2,841,437,996	1,234,184,571	56.76%	0.26%	4.07%	-2.74%
Brandy	990,847,691	406,386,918	58.99%	-4.37%	-2.09%	-1.59%
Tourism	76,422,314	34,842,151	54.41%	4.41%	-18.66%	31.18%
Others	10,233,159	5,381,092	47.42%	6.64%	33.13%	-18.08%
Area-classified						
Domestic	3,320,757,555	1,275,274,611	61.60%	-2.95%	-2.61%	-0.16%
Overseas	598,183,605	405,520,121	32.21%	12.59%	16.34%	-3.93%
Sales model- classified						
Distribution	3,272,506,752	1,396,195,485	57.34%	0.28%	3.47%	-1.31%
Direct sales	646,434,408	284,599,247	55.97%	-6.28%	-4.61%	-0.77%

Under the condition that the statistical caliber of the Company's main business data is adjusted during the report period, the Company's main business data adjusted on the basis of caliber at the end of report period in recent one year.

Available  Not available

**③ Whether the Company's sales revenue for material object is more than labor service revenue**

Yes No

Sector	Item	Unit	2022	2021	Year-on-year increase or decrease (%)
Alcohol and alcoholic beverage industry	Sales volume	Ton	93,004	97,499	-4.61%
	Yield	Ton	90,099	100,737	-10.56%
	Inventory	Ton	27,427	30,412	-9.81%
Wine	Sales volume	Ton	65,540	67,700	-3.19%
	Yield	Ton	66,269	67,342	-1.59%
	Inventory	Ton	16,441	16,104	2.09%
Brandy	Sales volume	Ton	27,464	29,799	-7.84%
	Yield	Ton	23,830	33,394	-28.64%
	Inventory	Ton	10,986	14,308	-23.22%

Explanation on the causes of over 30% year-on-year changes of the related comparison data

Available Not available

**④ The fulfillment of significant sales contract and purchase contract signed by the Company up to the report period**

Available Not available

**⑤ Composition of operating costs**

Classification of sector and product

Unit: CNY

Sector	Item	2022		2021		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverage	Blending liquor	878,602,506	53.21%	833,479,062	51.93%	5.41%
	Packing material	470,509,666	28.50%	477,555,065	29.76%	-1.48%
	Wages	61,024,162	3.70%	59,063,486	3.68%	3.32%
	Manufacturing expenses	241,018,089	14.60%	234,857,160	14.63%	2.62%
Wine	Blending liquor	647,858,697	52.49%	611,321,504	51.55%	5.98%
	Packing material	348,031,956	28.20%	328,926,668	27.74%	5.81%
	Wages	39,226,057	3.18%	50,206,319	4.23%	-21.87%
	Manufacturing expenses	199,067,861	16.13%	195,416,595	16.48%	1.87%
Brandy	Blending liquor	210,008,018	51.68%	220,058,439	53.02%	-4.57%
	Packing material	143,071,661	35.21%	147,425,674	35.52%	-2.95%
	Wages	9,166,666	2.26%	8,708,416	2.10%	5.26%

	Manufacturing cost	44,140,573	10.86%	38,849,077	9.36%	13.62%
--	--------------------	------------	--------	------------	-------	--------

Explanation

No

**⑥ Whether there are changes of consolidation scope during the report period**

Yes No

During the report period, the newly-established Yantai Kelidun Catering Co., Ltd was included in the scope of consolidation. For other changes, please refer to ‘1. Interests in subsidiaries’ in Note ‘VI Interests in other entities’ in the financial statements.

**⑦ Major changes or adjustments of the Company’s businesses, products or service during the report period**

Available Not available

**⑧ Information of major sales customers and major suppliers**

The Company’s major sales customers

The total sales amount of the top five customers (CNY)	291,092,248
The proportion that total sales amount of the top five customers accounting for the annual total sales amount (%)	7.43%
The proportion that sales amount of the related party in the total sales amount of the top five customers accounting for the annual total sales amount (%)	0%

Information of the Company’s 5 biggest sales customers

No.	Customer name	Sales amount (CNY)	Proportion in total sales for the year (%)
1	Rank 1 <sup>st</sup>	180,422,614	4.61%
2	Rank 2 <sup>nd</sup>	40,497,501	1.03%
3	Rank 3 <sup>rd</sup>	27,313,392	0.70%
4	Rank 4 <sup>th</sup>	25,801,683	0.66%
5	Rank 5 <sup>th</sup>	17,057,058	0.44%
Total	--	291,092,248	7.43%

Other situation explanations of major customers

Available Not available

Information on the Company’s main suppliers

The total purchase amount of the top 5 suppliers	310,187,581
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase	25.99%

amount	
The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount	6.89%

### Information on the Company's top 5 biggest suppliers

No.	Supplier name	Purchase amount(CNY)	Proportion in total purchase for the year (%)
1	Rank 1 <sup>st</sup>	84,456,054	7.08%
2	Rank 2 <sup>nd</sup>	82,187,388	6.89%
3	Rank 3 <sup>rd</sup>	62,415,788	5.23%
4	Rank 4 <sup>th</sup>	43,590,163	3.65%
5	Rank 5 <sup>th</sup>	37,538,189	3.14%
Total	--	310,187,581	25.99%

### Other situation explanations of main suppliers

Available     Not available

### (3) Expense

Unit: CNY

	2022	2021	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	1,028,966,138	998,954,105	3%	Mainly due to the increased marketing investment and the year-on-year increased marketing expenses and labor cost
Management expense	287,605,531	299,076,376	-3.84%	Mainly due to the decrease of leasing cost and contract fees
Financial expense	7,256,207	21,178,727	-65.74%	Mainly due to the increase of the Company's interest income and decrease of expenses
Research and Development expense	15,431,310	10,919,262	41.32%	Mainly due to the increase in R&M input, purchasing and updating scientific research equipment

The Company needs to comply with the disclosure requirements of the food and wine manufacturing industry as set out in the *Guidance on Self-Regulation of Listed Companies of Shenzhen Stock Exchange No.3- Industry Information Disclosure*.

### (4) Research and development investment

Available     Not available

Name of main research and development	Project purpose	Project progress	Target	Predicted influence in the Company's future development

project				
Research and development and industrialization of sealwort wine mixed with fruit juice	Developing new product	Project approval	Development of sealwort wine mixed with fruit juice	It could enrich the Company's product profile, meet consumer demand and cultivate new revenue growth points for the Company.

#### The Company's research and development personnel

	2022	2021	Percentage of changes (%)
Number of R&D personnel (person)	139	137	1.46%
The proportion of the number of R&D personnel	6.12%	5.96%	0.16%
Educational structure of R&D personnel			
Bachelor	48	48	0%
Postgraduate	25	23	8.70%
Doctor	1	1	0%
Below Bachelor	65	65	0%
Age structure of R&D personnel			
Under 30-year-old	35	33	6.06%
30-to 40-year-old	41	41	0%
Above 40-year-old	63	63	0%

#### The investment of the Company's R&D

	2022	2021	Percentage of changes (%)
R&D investment amount (CNY)	15,431,310	10,919,262	41.32%
R&D investment as a percentage of operating income	0.39%	0.28%	0.11%
Amount of R&D investment capitalized (CNY)	0	0	0%
Capitalized R&D investment as a percentage of R&D investment	0%	0%	0%

#### Reasons and effects of major changes in the composition of the company's R&D personnel

Available  Not available

#### Reasons for the significant change in the proportion of total R&D investment in operating income compared with the previous year

Available  Not available

#### Reasons for the substantial changes in the capitalization rate of R&D investment and its rationality explanation

Available  Not available

**(5) Cash flow**

Unit: CNY

Item	2022	2021	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	3,929,156,504	3,812,599,382	3.06%
Subtotal of cash outflow in operating activities	3,060,279,857	2,687,216,724	13.88%
Net amount of cash flow generated in operating activities	868,876,647	1,125,382,658	-22.79%
Subtotal of cash inflow in investment activities	162,953,148	104,064,718	56.59%
Subtotal of cash outflow in investment activities	306,991,362	279,720,766	9.75%
Net amount of cash flow generated in investment activities	-144,038,214	-175,656,048	18%
Subtotal of cash inflow in financing activities	641,331,495	855,198,786	-25.01%
Subtotal of cash outflow in financing activities	1,256,089,072	1,354,745,101	-7.28%
Net amount of cash flow generated in financing activities	-614,757,577	-499,546,315	-23.06%
Net increase of cash and cash equivalents	110,426,571	449,661,924	-75.44%

Explanation of main influence factors contributing to great changes in related data on year-on-year basis

Available  Not available

Explanation on the causes of major differences between the net cash flow generated by the Company's operating activities and net profit of this year during the report period.

Available  Not available

**5. Analysis to non-main business**

Available  Not available

## 6. Assets and liabilities

### (1) Significant changes of assets composition

Unit: CNY

	At the end of 2022		At the beginning of 2022		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,651,454,115	12.54%	1,567,095,993	11.63%	0.91%	No significant changes
Receivables	343,982,985	2.61%	291,006,410	2.16%	0.45%	No significant changes
Contract assets		0%		0%	0%	No significant changes
Inventory	2,903,398,515	22.04%	2,802,622,520	20.80%	1.24%	No significant changes
Investment real estate	22,115,318	0.17%	24,502,258	0.18%	-0.01%	No significant changes
Long-term equity investments	41,371,385	0.31%	46,496,510	0.35%	-0.04%	No significant changes
Fixed assets	6,028,137,972	45.77%	5,687,867,314	42.22%	3.55%	No significant changes
Construction in progress	40,934,161	0.31%	590,172,099	4.38%	-4.07%	No significant changes
Right-of-use asset	139,887,159	1.06%	134,569,039	1%	0.06%	No significant changes
Short-term borrowings	389,378,480	2.96%	622,066,457	4.62%	-1.66%	No significant changes
Contract liability	165,727,991	1.26%	147,120,716	1.09%	0.17%	No significant changes
Long-term borrowings	128,112,115	0.97%	176,047,043	1.31%	-0.34%	No significant changes
Lease liability	109,505,093	0.83%	101,811,588	0.76%	0.07%	No significant changes

Foreign asset has a high proportion

Available     Not available

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	Proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Hacienda Y Vinedos Marques Del Atrio. SL	Acquisition of equity	545,439,787	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	17,497,532	4.14%	No
Indomita Wine Company Chile, S.p.A.	Establishment of joint venture	541,425,857	Chile	Independent operation	The Company participates in making important decisions through board of directors.	23,561,992	4.11%	No
Kilikanoon Estate Pty., Ltd.	Acquisition of equity	186,656,024	Australia	Independent operation	The Company participates in making important decisions through board of directors.	687,415	1.42%	No
FrancsChampsParticipations SAS	Sole proprietorship establishment	220,786,729	France	Independent operation	The Company participates in making important decisions through board of directors.	-1,931,487	1.68%	No
Other explanation	None							

## (2) Assets and liabilities measured at fair value

Available     Not available

## (3) Limitations of assets rights up to the end of the report period

Please refer to the '52. Assets with restrictive ownership title or right of use' of the 'Notes to the financial statements' in this report's financial report.

## 7. Investment condition analysis

### (1) Overall situation

Available     Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
126,590,000	148,020,000	-14.48%

## (2) Cases of acquired significant equity investments during the report period

Available     Not available

## (3) Cases of significant ongoing non-equity investments during the report period

Available     Not available

Unit: CNY

Project name	Investment mode	Whether belongs to fixed assets investment	Involved sectors of investment projects	Investment amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Project progress	Estimated earnings	Accumulated realized earnings up to the end of the report period	Reasons for unreached planning schedule and estimated earnings	Disclosure date (if have)	Disclosure index (if have)
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	14,980,000	1,700,004,100	Owned fund	100%	0	0	—	2017.04.22	Please refer to <i>Resolution Announcement of Seventh Session Board of Directors 4<sup>th</sup> Meeting, Resolution</i>

Yantai Changyu International Wine City Bottling Center	Self-constructed	Yes		45,260,000	1,135,370,000	Owned fund	100%	0	0	—	2017.04.22	<i>Announcement of Seventh Session Board of Directors 8<sup>th</sup> Meeting, Resolution</i>
Oak Barrel Procurement Project	Self-constructed	Yes		30,550,000	178,634,200	Owned fund	90%	0	0	—	2021.04.28	<i>Announcement of Seventh Session Board of Directors 10<sup>th</sup> Meeting, Resolution</i>
Intellectualized Upgrade and Renovation Project of Changyu Wine Culture Museum	Self-constructed	Yes		35,800,000	50,113,000	Owned fund	100%	0	0	—	2022.04.27	<i>Announcement of Eighth Session Board of Directors 4<sup>th</sup> Meeting and Resolution 11<sup>th</sup> Meeting disclosed on China Securities Journal, Securities Times and CNINFO (<a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>)</i>
Total	--	--	--	126,590,000	3,064,121,300	--	--	0	0	--	--	--

**(4) Financial assets investment****① Security investment situation**

Available     Not available

There are no security investments for the Company during the report period.

**② Derivatives investment**

Available     Not available

There are no derivatives investments for the Company during the report period.

**(5) The usage situation of raised capital**

Available     Not available

There are no usage situations of raised capital for the Company during the report period.

**8. Sale of significant assets and equities****(1) Sale of significant assets**

Available     Not available

The Company did not sell significant assets during the report period.

**(2) Sale of significant equities**

Available     Not available

**9. Analysis of main holding and joint stock companies**

Available     Not available

Situation of main subsidiaries and joint stock companies affecting over 10% of the Company's net profit

Unit: CNY

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yantai Changyu Pioneer Wine Sales Co., Ltd.	Subsidiary	Sales	CNY8million	819,840,140	90,700,021	2,465,372,547	445,740,455	364,418,188
Yantai Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY5million	134,105,090	128,804,718	835,130,328	36,447,058	27,533,456
Changyu Trading Co., Ltd. in Development Zone of Yantai	Subsidiary	Sales	CNY5million	76,045,487	14,401,839	175,831,921	63,533,120	47,681,793
Laizhou Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY1million	72,131,787	1,000,000	264,248,002	46,181,296	34,716,488

Acquisition and disposal of subsidiaries during the report period

Available     Not available

Explanation on main holding and joint stock companies

No

## **10. Situation of the structured subjects controlled by the Company**

Available     Not available

## **11. Expectation for the Company's future development**

On the basis of our limited experience and professional skills, the Company makes the following judgments on the wine industry and future development:

### **(1) The sector competition pattern and development trend**

Affected by the increase in the uncertainty caused by the slowdown of national macroscopic economy growth and other factors, the wine consumption scene is blocked, and the market space is obviously squeezed by other alcoholic products and is getting smaller and smaller. Most wine companies have small scales with poor profitability and do not have much resources for cultivating the market. The whole industry has been in the rough for a long time, and the full recovery of the wine market will take a long hard time.

Although the development of the wine industry is currently encountering some difficulties, there are also lots of positive factors for the development of the industry. President XI Jinping pointed out that 'China's wine industry has great prospects' when he inspected Ningxia. The local governments of all wine-producing regions are actively responding to support the development of the wine industry. The atmosphere of domestic wine consumption and the perception of healthy wine consumption are gradually forming. Young consumer groups have the momentum to switch to wine consumption. Consumption of domestic products has gradually become a fashion. In the long run, the huge development potential has not changed.

In such a case of long-term coexistence of opportunities and challenges, as always, we believe that those enterprises that possess strong brand influence and marketing ability, catch the opportunities, actively take adjustments, make full use of newly emerging and traditional sales channels, make efforts to guide and cultivate wine consuming groups, timely satisfy the consumers' demands and provide products with high cost performance will have the opportunity to be the final winner of competitions, and then form a new pattern of the future Chinese wine market.

### **(2) The Company's development strategy**

The Company will adhere to the development strategy of "Focus on middle-and-high level, Focus on high quality, Focus on large single product" and the marketing philosophy of "obtaining growth from the terminal and nurturing consumers", deepen the reform of marketing system, increase innovation efforts, firm the confidence in development, find problems and gaps from its own, do

everything possible to give full pay to its own advantages and seek market breakthroughs in difficulties.

### **(3) Management plan for the new year**

In 2023, the Company will try its best to realize operating revenue of not less than CNY4.2billion and control the main operating costs and three period expenses below CNY3.3billion.

### **(4) Measures to be adopted by the Company**

In the New Year, affected by the economic situation from the beginning of January 2023, the Company, distributors, suppliers and logistics enterprises could not work normally due to the infected employees, resulting in a year-on-year decline in sales volume. Furthermore, the adverse factors faced by China's economic development, such as the demand contraction, the supply impact and the weakening of expectation, have not been fundamentally eliminated, and the development situation of the wine industry is still not optimistic. The Company will lead and unite all employees to face challenges and difficulties, enhance confidence, seize opportunities, and strive to achieve greater development with high morale.

First, it is to improve the assessment system and perfect the incentive mechanism. The Company will strengthen the profit-oriented performance assessment, pay attention to the assessment in comprehensive gross profit rate and the gross profit rate of main products, and guide large amounts of resources to put into middle-and-high-end products and products with high gross profit in order to further enhance the profitability. The current incentive mechanism mainly based on salary and bonus will be improved, and other long-term incentive mechanisms will be actively studied and promoted, so as to further mobilize the enthusiasm and initiative of employees.

Second, it is to continue to reform the organizational structure to better serve the market and consumers. The Company will deepen and improve the system of business divisions, establish clearer boundaries of responsibilities and rights for business divisions in terms of product research and development, product production, product distribution, human resource management, market order and inspection management, financial risk control and standardized management, media release and other business functions, fully delegate power to the six sales business division to further mobilize their enthusiasm, and form a good competition mechanism and reward and punishment mechanism among all business divisions, so as to make the business division system operate more efficient, better close to the market and consumers, improve the speed of response to the market and improve the quality of service.

Third, it is to adhere to technological innovation and develop products with more Chinese characteristics. The Company will further improve the products' body design, appearance design, launch marketing and other operational capacity, further reduce the cost and better meet the taste and packaging requirements of young Chinese consumers through technological innovation in order to invigorate the market of entry-level wine and new variety alcoholic drinks and cultivate and expand wine consumption groups, and further emancipate the mind, closely centre on the product research and development and technological innovation projects, and highlight the "Chinese

terroir” from the brewing/aging technology, blending technology and post-treatment technology and other aspects.

Fourth, it is to continue to promote digital transformation and inject new impetus into market expansion. The Company will make full use of consumer core data from various sources and convert it into consumer digital assets. By studying consumer behavior preferences, the Company will better guide business activities such as market segmentation, product research and development, media investment, channel promotion, brand marketing and combination sales methods, so as to truly empower business and enhance enterprise development momentum.

Fifth, it is to continue to promote the reform of online business channels and strive to expand the scale of e-commerce business. The Company will continue to vigorously support the traditional e-commerce business, consolidate and improve the existing market advantages. It will also strongly develop new channels and new business forms such as Douyin and private domain in order to occupy a dominant position in the critical period of rapid development of new e-commerce business. In addition, effective ways to continuously enlarge the scale of online business will be explored, and gross profit margin management and financial standardized management will be strengthened, so as to assure the prudent operation and strive to achieve steady growth of e-commerce business.

Sixth, it is to strengthen financial management and audit supervision to avoid business risks. The Company will use Maycur system to standardize and sort out key expenses from the source of applying for reimbursement in order to avoid tax-related risks. The capital planning and centralized control in corporate funds will be intensified to ensure capital safety, improve the efficiency of capital use and reduce financing costs. The supervision of funds and operation of overseas subsidiaries will be strengthened to prevent financial risks. Moreover, the Company will enhance the comprehensive audit supervision, adhere to flight audit, focus on the profit authenticity audit, accounts receivable authenticity audit, advertising input effect audit and distributor inventory audit, so as to avoid potential losses and prevent the Company from the risks of internal control, tax and law.

## **(5) Potential risks**

### **① Risk in price fluctuation of raw materials**

Grapes are the Company’s main raw materials. The grape’s yield and quality are affected to a certain extent by the natural factors such as drought, wind, rain, frost and snow. These force majeure factors greatly influence the quantity and price of the grapes in this Company orders and add the uncertainty to the Company’s production and operation. Therefore, the Company will lower the risks that are likely to affect grape quality and result in price fluctuation by means of expanding the self-run vineyards, strengthening the vineyard management and optimizing the layout of vineyards.

### **② Risk in uncertainty of market input and output**

To cope with the cutthroat market competition and to meet the needs for market development, the Company has input more and more capital in the market and the sales expense has taken up a higher

percentage point in the business revenue. The input-output ratio will affect the Company's operating results to a great extent and the risk that some investments may not reach the expectations is likely to occur. Therefore, the Company will strengthen market research and analysis, enhance market forecast accuracy and continue to perfect the input-output evaluation system to ensure the investments in market to be satisfactory as expected.

③ Risk in product transport

The Company's products are fragile and sent to different places all over the world, mostly by sea, railway and expressway. The peak season of sales is usually in cold winter and close to the spring festival when market has a great demand. At that time, the natural and human factors such as serious shortage of transport capacity resulting from busy flow of people and goods, wind, snow, freezing as well as traffic accidents make the transport departments difficult to send products to markets in time and safely. As a result, it makes this Company have to face the risks of missing the peak season of sales. Therefore, the Company will adopt all methods possible like making precise sales prediction and well designed connection of production and sales, reasonably arranging production and transport means and making use of more available warehouses in different places to lower these kinds of risks.

④ Risk in investment faults

The Company invested many projects in the previous periods and the investment amounts were relatively large. For individual project, owing to the influence of various factors, it led to have the risks of facing with the investment amount out of budget or hardly taking back the expected investment earnings. The Company will take an adequate argument and scientific decision-making for investment projects, try hard to reduce and avoid investment risks.

⑤ Risk in exchange rate

The Company's overseas subsidiaries export products to many different countries and the export amount is relatively large. There may be exchange losses or gains due to exchange rate fluctuation.

⑥ Other risks

During the production and sales of the Company's products, it may be affected by force majeure such as wars, typhoons, earthquakes, etc..

## 12. Activity registration form for receptions of research, communication, visit and other activities during the report period

Available     Not available

Reception time	Reception place	Reception pattern	Type of reception object	Reception object	Main discussed contents and provided data	Basic situation index of reception
2022.06.15	<a href="https://www.ironline.cn/">https://www.ironline.cn/</a>	Other	Other	Investors participating the Company's 2021 annual online performance presentation	The recent production and operation situation of the Company	The website of Shenzhen Stock Exchange ( <a href="https://biz.szse.cn">https://biz.szse.cn</a> )

## IV. Corporate Governance

### 1. Current Corporate Governance Situation of the Company

#### (1) About shareholders and shareholders' meeting

The Company has set up the *Deliberation Rules of Shareholders' Meeting*, and convened the shareholders' meetings in strict accordance with requirements of standard opinions of shareholders' meeting, made the great effort to provide convenient conditions for more shareholders to participate the shareholders' meeting, and ensured all shareholders to enjoy same equity and well exercised their rights. The Company drew great attention to the communication and exchange with shareholders, actively responded the shareholders' inquiry and questions, and widely listened to the suggestions and comments from shareholders.

#### (2) About the Company and holding shareholder

The Company has independent business and self-management capacity, which is independent from the controlling shareholders in business, staffs, assets, institutions and finance. The Board of Directors, Board of Supervisors, management teams and also internal institutions are able to operate independently in the Company. The controlling shareholders of the Company could regulate their behaviors without directly or indirectly interfering in the Company's decision-making and business activities beyond the shareholder's meeting; meanwhile, there is no case of encroaching on the Company's assets and damaging the interest of the Company and minority shareholders.

#### (3) About the director and board of directors

The Company strictly appoints all directors in light of *Corporation Act* and *Articles of Associations*. The qualifications of all directors are in line with the requirements of laws and regulations. In accordance with the requirements of *Corporate Governance Guidelines*, the Company has carried out the cumulative voting system in the director selection. At present, the Company has five independent directors accounting for above one third of all directors, and the number and personnel composition of board of directors was basically in accord with requirements of regulations as well as *Articles of Associations*. All directors of the Company were able to carry out work in accordance with the *Rules of Board of Directors' Procedure* and *Working Rules for Independent Directors*, punctually attended the board of directors' and shareholders' meetings, actively took part in relevant knowledge training, were familiar with the laws and regulations concerned, had a deep knowledge and long experience of practitioners, and performed their duties according to the law and regulations. The Board of Directors convened the meetings complies with relevant laws and regulations.

#### (4) About supervisor and board of supervisors

The Company strictly elected all supervisors in light of the procedures stipulated in the *Corporation Act* and *Articles of Associations*. At present, board of supervisors has three people among which one supervisor is representative for staff. The number and composition of board of supervisor meet the requirements of regulations and laws. All supervisors of the Company could follow the requirement

of *Rules of Board of Supervisors' Procedure*, insist the principle of responsibility to all shareholders, seriously perform their duties, effectively supervise and present their independent opinions on important issues, interrelated deals, financial status, appointment of an accounting firm and the duty performance of directors and managers of the Company.

**(5) About performance evaluation and incentive system**

The appointment of managers was open and transparent, and accorded with laws and regulations. The Company has established and gradually improved the performance evaluation standard and formed efficient incentive system, so as to ensure the salary of staff to be linked with work performance.

**(6) About stakeholders**

The Company could fully respect and safeguard the legal rights of the party with relevant benefit, cooperate actively with the stakeholders, jointly drive the Company to develop continually and stably, pay great attention to the issues such as local environmental protection and public utilities etc., and fully assume the due social responsibility.

**(7) About the information disclosure and transparency**

The Company has appointed the board secretary to be responsible as the head of investor relation management including information disclosure, investor relations management and reception of shareholders' visit and consultation. The Company has also assigned *China Securities Newspaper*, *Securities Times*, *Honkong Commercial Daily* and web site <http://www.cninfo.com.cn/> to disclose information, punctually, accurately and truly disclosed any information in the light of requirement of relevant laws and rules, and also ensured all shareholders to have same opportunity to acquire any information.

In order to further perfect the Company's governance system, during the report period, the Company formulated *The Implementation Plan on Strengthening the Safety Management of "Three Kinds of External Personnel"*, *The Inspection and Evaluation Measures on Grape Base Informatization and Acquisition System*, *Yantai Production Unit Reform Plan* and *Remote Production Unit Reform Plan*, and revised *The Assessment Measures of Financial Management for 2022 Annual Production System*, *Assessment Measures for 2022 Quality Management*, *The Monitoring Measures for the Product Quality and Safety Risk*, *The Assessment Measures for the Responsibility System of the 2022 Contract Base's Responsible Personnel* and *The Assessment Measures for the Responsibility System of the 2022 Self-run Grape Base's Personnel*.

Whether or not there is significant variance between the Company's actual situation of corporate governance and laws, administrative regulations and the regulations about listed company governance issued by China Securities Regulatory Commission.

Yes     No

There is no significant variance between the Company's actual situation of corporate governance and laws, administrative regulations and the regulations about listed company governance issued by China Securities Regulatory Commission.

**2. Relative to the controlling shareholder and actual controller, independence of the Company on ensuring the company's assets, personnel, finance, organization, business, etc.**

**(1) Personnel Arrangement**

The Company's general manager, deputy general managers and other senior officers, all of whom were paid by the Company and did not hold any concurrent administrative ranks in the controlling units. The Company was entirely independent in personnel arrangement, conclusion and adjustment of labor contracts thanks to its sound and independent system for labor, personal and salary management.

**(2) Assets**

Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholders, and all legal formalities were completed. As an independent legal entity, the Company operates independently in accordance with the law, and does not provide any form of guarantee with its assets for shareholders' or individuals' liabilities or other legal or natural persons. Due to the historical issues, the ownership of trademarks such as “张裕” (Changyu) that the Company is permitted to use that are still remained with the controlling shareholder. Except for a very small number of trademarks such as “张裕” (Changyu), the Company has ownership rights of the vast majority of trademarks being used by the Company, which ensures the independence and completeness of the Company's assets.

**(3) Finance**

The Company is equipped with independent finance department, financial administrator and financial and accounting staff, as well as a complete, independent and standardized financial accounting system. The Company also opened its own bank accounts, independent and legally paying taxes and workers insurance fund. All financial individuals do not hold any concurrent posts in associated companies and are able to make financial decisions independently. The Company has its own audit department, which is especially responsible for the internal audit work of the Company.

**(4) Independent Institutions**

The Company has set up a sound organizational framework, in which the Board of Directors and Board of Supervisors operate independently, no superior and subordinate relationship exists between the functional departments of the controlling shareholder. The Company has its own independent production & business offices, and all functional departments are independent to exercise their powers and carry out the production and business activities independently.

**(5) Operations**

The operations of the Company are independent of the controlling shareholders. The Company owns itself completely independent systems covering research and development, financial accounting, labor and human resource, quality control, raw materials purchase, production and sales, has the independent management ability, and does not have the problem that entrusts the controlling shareholders to buy and sell on commission, nor exist the horizontal competition with controlling shareholders.

**3. Situation for Horizontal Competition**

Available     Not available

#### 4. Information for the shareholders' meeting and interim shareholders' meeting held during the report period

##### (1) Information for the shareholders' meeting during the report period

Session	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Meeting Resolution
2021 Annual Shareholders' Meeting	Annual shareholders' Meeting	60.42%	2022.05.27	2022.05.28	The meeting deliberated and approved the <i>2021 Annual Board of Directors' Work Report</i> , <i>2021 Annual Board of Supervisors' Work Report</i> , <i>2021 Annual Report</i> , <i>Proposal on 2021 Annual Profit Distribution</i> , <i>Proposal on 2022 Annual Financial Budget</i> , <i>Proposal on Changing License Use Mode of 'Changyu' Trademarks</i> , <i>Proposal on Appointing Certified Public Accountants Firm</i> , <i>Proposal on Reelection of Board of Directors</i> , <i>Proposal on Appointing Independent Directors</i> and <i>Proposal on Reelection of Board of Supervisors</i> .

##### (2) Request for convening interim shareholders' meeting by preferred shareholders owing recovered voting right

Available     Not available

#### 5. Situation for Directors, Supervisors, Senior Executives and Staff

##### (1) Changes in shareholdings of directors, supervisors and senior executives

Name	Post	Status	Gender	Age	Beginning date of tenure	Ending date of tenure	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Other changes of shares held	Shares held at the end of the period	Reasons of the increase and decrease change of shares held
ZHOU Hongjiang	Chairman	Incumbent	M	58	2002.05.20	2025.05.28	37,800	0	0	0	37,800	
LENG Bin	Director	Outgoing	M	60	2000.08.22	2022.05.27						
SUN Jian	Director	Incumbent	M	56	2019.05.17	2025.05.28	60,000	30,000	0	0	90,000	Secondary market purchases

LI Jiming	Director	Incumbent	M	56	2019.05.17	2025.05.28						
CHEN Dianxin	Director	Incumbent	F	56	2019.05.17	2025.05.28						
Aldino Marzorati	Director	Incumbent	M	70	2006.12.07	2025.05.28						
JIANG Jianxun	Director	Incumbent	M	56	2022.05.27	2025.05.28						
Stefano Battioni	Director	Incumbent	M	64	2020.05.27	2025.05.28						
Enrico Sivieri	Director	Incumbent	M	54	2019.05.17	2025.05.28						
CHIANG Yun	Director	Incumbent	F	55	2020.06.19	2025.05.28						
LUO Fei	Independent director	Outgoing	M	70	2016.09.23	2022.05.27						
DUAN Changqing	Independent director	Incumbent	M	58	2019.05.17	2025.05.28						
LIU Huirong	Independent director	Incumbent	F	59	2019.05.17	2025.05.28						
LIU Qinglin	Independent director	Incumbent	M	59	2019.07.02	2025.05.28						
YU Renzhu	Independent director	Incumbent	M	44	2020.05.27	2025.05.28						
WANG Zhuquan	Independent director	Incumbent	M	57	2022.05.27	2025.05.28						
KONG Qingkun	Chairman of the Board of Supervisors	Outgoing	M	50	2013.05.14	2022.05.27						
ZHANG Lanlan	Supervisor	Outgoing	F	53	2013.05.14	2022.05.27						
LENG Bin	Chairman of the Board of Supervisors	Incumbent	M	60	2022.05.27	2025.05.28						
LIU Zhijun	Supervisor	Incumbent	M	42	2016.05.26	2025.05.28						
ZHENG Wenping	Supervisor	Incumbent	F	54	2022.05.27	2025.05.28						
SUN Jian	General manager	Incumbent	M	56	2018.01.10	2025.06.10						
LI Jiming	Deputy general manager	Incumbent	M	56	2019.05.28	2025.06.10						

JIANG Hua	Deputy general manager	Incumbent	M	59	2001.09.14	2025.06.10	0	10,000			10,000	Secondary market purchases
PENG Bin	Deputy general manager	Incumbent	M	56	2018.01.10	2025.06.10						
JIANG Jianxun	Deputy general manager and Board secretary	Incumbent	M	56	2019.05.28	2025.06.10						
PAN Jianfu	General manager assistant	Incumbent	M	47	2018.04.19	2025.06.10						
KONG Qingkun	General manager assistant	Incumbent	M	50	2022.06.09	2025.06.10						
LIU Shilu	General manager assistant	Incumbent	M	48	2018.04.19	2025.06.10						
XIAO Zhenbo	General manager assistant	Incumbent	M	46	2018.04.19	2025.06.10						
Total	--	--	--	--	--	--	97,800	40,000	0	0	137,800	--

Is there any resignation of directors and supervisors and dismissal of senior management personnel during their term of office during the reporting period

Yes No

Mr. Bin Leng no longer served as a director of the Company due to the change of position upon expiration of his term of office; Mr. Fei Luo no longer served as an independent director of the Company due to his age upon expiration of his term of office; Mr. Qingkun Kong no longer served as the Chairman of the Board of Supervisors of the Company due to the change of position upon expiration of his term of office; Ms. Lanlan Zhang no longer served as a supervisor of the Company due to her age upon expiration of her term of office.

Changes of directors, supervisors and senior managers of the company

Available Not available

Name	Post	Status	Date	Reasons
LENG Bin	Director	Outgoing due to expiration of term	2022.05.27	No longer served as a director due to the change of position upon expiration of term

LENG Bin	Chairman of the Board of Supervisors	Be elected	2022.05.27	Be elected as a supervisor of the Company by the General Shareholders' Meeting, and be elected as the Chairman of the Board of Supervisors by the Company's Board of Supervisors
LUO Fei	Independent director	Outgoing due to expiration of term	2022.05.27	No longer served as an independent director due to his age upon expiration of term
WANG Zhuquan	Independent director	Be elected	2022.05.27	Be elected as an independent director of the Company by the General Shareholders' Meeting
JIANG Jianxun	Director	Be elected	2022.05.27	Be elected as a director of the Company by the General Shareholders' Meeting
KONG Qingkun	Chairman of the Board of Supervisors	Outgoing due to expiration of term	2022.05.27	No longer served as the Chairman of the Board of Supervisors due to the change of position upon expiration of term
KONG Qingkun	General manager assistant	Be appointed	2022.06.09	Be elected as a general manager assistant by the Company's Board of Directors
ZHANG Lanlan	Supervisor	Outgoing due to expiration of term	2022.05.27	No longer served as a supervisor of the Company due to her age upon expiration of term
ZHENG Wenping	Supervisor	Be elected	2022.05.27	Be elected as a supervisor by the Company's Congress of Workers and Staff

## (2) Situation for work experience

The professional background, main work experiences and present positions of the Company's directors, supervisors and senior executives

### ① Members of Board of Directors

**Mr. Hongjiang Zhou**, male, 58, Chinese, with doctoral degree, senior engineer, used to be the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd., the Deputy General Manager, the General Manager and the Deputy Chairman of Yantai Changyu Pioneer Wine Co., Ltd.. He is incumbent as the representative of the 13<sup>th</sup> National People's Congress, the Chairman of Yantai Changyu Group Co., Ltd., and the board director and the Chairman of the Company.

**Mr. Jian Sun**, male, 56, Chinese, MBA, used to be the Deputy General Manager of the Company. He is incumbent as the board director and the General Manager of the Company, and with an additional post of the board director of the Group Company.

**Mr. Jiming Li**, male, 56, Chinese, with doctoral degree, application researcher, used to be the Chief Engineer of the Company. He is incumbent as the board director and the Deputy General Manager of the Company, and with an additional post of the board director of the Group Company.

**Mr. Jianxun Jiang**, male, 56, Chinese, MBA and accountant, served as the Financial Manager of the Company from May 20<sup>th</sup>, 2002 to January 10<sup>th</sup>, 2018. He now serves as the board director, Deputy General Manager and Board Secretary of the Company.

**Ms. Dianxin Chen**, female, 56, Chinese, with master degree of the Party School; from July 1985 to October 2018, she used to serve as staff of Yantai Chemical Purchasing and Supply Station, staff of Yantai Stated-owned Assets Assessment Center, the Deputy Director of Yantai Stated-owned Assets Assessment Center, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Bureau, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Supervision and Administration Commission, full-time Deputy Secretary of Party branch in Yantai State-owned Assets Supervision and Administration Commission, the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission, the Director of retired carders work office and the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission, and the Director of retired carders work office in Yantai State-owned Assets Supervision and Administration Commission. Since October 2018, she has been served as the Deputy Secretary of Party branch and the General Manager of Yantai Guofeng Investment Holding Group Co., Ltd. and the current board director of Yantai Changyu Group Co., Ltd. and the Company.

**Mr. Aldino Marzorati**, male, 70, Italian, with bachelor degree, serves currently as the General Manager of Illva Saronno Holding S.p.A, the member of the board of directors of some branches under the Group Company, and the board director of Changyu Group Co., Ltd. and the Company.

**Mr. Stefano Battioni**, male, 64, Italian, graduated with a bachelor's degree. He has served as a Senior Product Manager of Colgate Palmolive in Italy, the Marketing Director of Barilla Holding, the International Marketing Director and the Spirits Business Unit Director-General Manager of Illva Saronno S.p.A. (a spirit company as a wholly-owned subsidiary of Illva Saronno Holding S.p.A.). He is currently the CEO of Illva Saronno S.p.A. and the board director of Changyu Group Co., Ltd. and the Company.

**Mr. Enrico Sivieri**, male, 54, Italian, with bachelor degree, served successively as the financial controller of ARNEG S.p.a., the commercial analyst of SPILLERS FOODS ITALIA S.p.a., the trade controller of Nestle' Purina Petcare Europe, European marketing & sales controller of Nestle' Purina Petcare Europe, the European supply chain controller of Nestle' Purina Petcare Europe, the Southern Europe regional controller of Nestle' Purina Petcare Europe and the Director of group financial controlling of Illva Saronno Holding S.p.A., and currently serving as a member of the board of directors for Royal Oak Distillery Ltd. and the General Manager of Illva Saronno Holding S.p.A., and the board director of the Company.

**Ms. Yun Chiang**, female, 55, successively obtained Bachelor of Science degree Magna Cum Laude from Virginia Tech, Virginia, EMBA of The Kellogg School of Management at North Western University, USA and EMBA of The Graduate School of Management, Hong Kong University of Science and Technology, Hong Kong, China. She used to acted as Director at American International Group (AIG) direct investment team, the Managing Partner of Pacific Alliance Group (PAG). She currently serves as the INED and member of Audit Committee and Nomination Committee in Las Vegas Sands China, the INED and member of Audit Committee, Remunerations Committee and Nomination Committee in Goodbaby International Holding Ltd., the INED, member of Audit Committee and Nomination Committee and Chairlady of Remunerations Committee in Pacific Century Premium Developments Ltd., the INED and member of Audit Committee and Health, Safety and Security Committee in Merlin Entertainments plc., the CEO and

Founding Partner of Prospere Capital, and the board director of the Group Company and the Company.

**Mr. Qinglin Liu**, male, 59, doctoral degree of Management, Chinese, no overseas permanent residence. He is currently a professor and doctoral supervisor of Economics Faculty of Shandong University, the Director of Institute for World Economy Studies of Shandong University, the Executive Deputy President of Shandong Institute of Development of Shandong University, a member of a council of China Society of World Economics, an executive member of a council of The Association for Canadian Studies in China and Shandong Youth Scholars Association, a member of a council of Shandong Association for Business Economics and Shandong Price Association. He currently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd., an independent director of Weihai Huadong Automation Co., Ltd., and an independent director of the Company.

**Mr. Changqing Duan**, male, 58, Chinese, with doctoral degree, professor, doctoral and master's supervisor, and the national senior winemaker and senior wine taster. He currently serves as the chief scientist of national grape industry technology system and the Director of Wine Processing Key Laboratory of Ministry of Agriculture and Rural Affairs. Meanwhile, he holds concurrent posts of the Director of China Wine Technology Committee, the Director of China Wine and Fruit Wine Expert Committee, the Executive President and the Secretary General of Grape and Wine Branch of Chinese Horticultural Society and the Vice President of China Agricultural Society Grape Branch. His major research fields are the basic theoretical research and related high and new technology research and development as well as application promotion work in the direction of suitability between ecology in producing area and grape variety and liquor variety, evolution mechanism and directional brewing of wine flavor formation, grape fruit flavor metabolism regulation and product flavor quality evaluation and so on. He is a current independent director of the Company.

**Ms. Huirong Liu**, female, 59, Chinese, with doctoral degree, the former Deputy Dean and Dean of the Institute of Political Science and Law of Ocean University of China. She used to serve as an independent director of Sailun Group Co., Ltd., Longda Meat and Sacred Sun Co., Ltd. and Shandong Sacred Sun Power Sources Co., Ltd.. Currently, she is a second-level professor and doctoral supervisor of Ocean University of China and with additional post as a researcher of the "Belt and Road Initiative" Judicial Research Center of the Supreme People's Court, an expert at the Supreme People's Court for foreign-related commercial and maritime action expert database, the Deputy Chairman of the sixth Shandong Law Society and the Deputy Director of the Academic Committee, and the Chairman of the Qingdao Law-based Government Research Institute. Her research fields are International Law and Legislative Science. She has won the title of *Shandong Top Ten Outstanding Young and Middle-aged Jurists*, the third prize of *Excellent Social Science Achievement of the Ministry of Education*, the third prize of *Shandong Excellent Social Science Achievement*, the second prize of *Shandong Excellent Philosophy and Social Science Achievement*, the first prize of *Excellent Achievement of Shandong Education Department* and the *Top Talent in Qingdao City*. She is a current independent director of the Company.

**Mr. Renzhu Yu**, male, 44, Chinese, doctor of management, high-level talents of Jinan, used to act as the Deputy Director of Huanglong National Scenic Area Administration in Aba prefecture of Sichuan province as a member of the 18th doctoral team of the Central Organization Department and the Communist Youth League of China and also ever acted as managing director of Shandong Agricultural Economy Society. Currently, he serves as a professor and a master supervisor in

School of Business Administration in Shandong University of Finance and Economics, the managing director of Chinese Marketing Association of Universities and an independent director of this company.

**Mr. Zhuquan Wang**, male, 57, Chinese, doctor of management (accountancy), first batch of national accounting academic leading personals of Financial Department, the entrant of accountant master cultivation project of Financial Department, outstanding teacher of Shandong province, Government Special Allowance expert, acted as independent director from May 13<sup>th</sup>, 2010 to May 12<sup>th</sup>, 2013 and from May 23<sup>rd</sup>, 2014 to May 17<sup>th</sup>, 2019. Now he is the professor and the doctoral supervisors of the Ocean University of China and also holds a concurrent post of independent director of this company and Qingdao DoubleStar Co., Ltd..

### ② Members of board of supervisors

**Mr. Bin Leng**, male, 60, Chinese, with master degree, senior accountant, used to be the Deputy Section Chief and the Section Chief of Yantai Audit Bureau, the board director and the Chief Accountant of Yantai Changyu Group Co., Ltd. and the board director and the Deputy General Manager of the Company. He is incumbent as the board director and the General Manager of Yantai Changyu Group Co., Ltd. and the chairman of Board of Supervisor of the Company, with an additional post of the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd..

**Mr. Zhijun Liu**, male, 42, Chinese, bachelor degree; from July 2003 to February 2019, he used to serve as the staff of worked in foreign fund department of Economy and Trade Bureau in Longkou Economic Development Zone, a news section member of propaganda department in Longkou Municipal Committee, a member of propaganda and mass work section, a member of planning section, the Deputy Director Member of programming development and enterprise distribution section, the Deputy Director Member and the Deputy Chief of programming development section, the supervisor (section chief rank) of the Dongfang Electronics Corporation Co., Ltd., Shandong Laidong Engine Co., Ltd. and Yantai Public Transportation Group Co., Ltd., and a section chief rank of Yantai Municipal Audit Bureau; from March 2019 to June 2020, he served as the had of the equity management department of Yantai Guofeng Investment Holding Group Co., Ltd.; from June 2020 to present, he serves as a member of the Party Committee, the deputy general manager and secretary of the board of director of Yantai Guofeng Investment Holding Group Co., Ltd. He now is a supervisor of the Company.

**Ms. Wenping Zheng**, female, Chinese, 54, bachelor degree. Currently, she is the head of the Audit Department of the Company.

### ③ Other senior executives

**Mr. Hua Jiang**, male, 59, Chinese, master degree, senior engineer, has been serving as the Deputy General Manager of the Company since September 14<sup>th</sup>, 2001.

**Mr. Bin Peng**, male, 56, MBA, senior engineer, ever successively served as the Department Chief of Technical Transformation Department and the Minister of Investment and Development Department of the Company, as well as the General Manager Assistant of Yantai Changyu Group Co., Ltd.. He currently serves as the Deputy General Manager of the Company.

**Mr. Jianfu Pan**, male, Han ethnic, Chinese, 47, MBA and senior economist, used to serve as the General Manager of the Jiangxi Branch of the Company, the General Manager of the Shanghai marketing management company and the General Manager of Beijing marketing management

center. Currently, he is a General Manager Assistant of the Company and the General Manager of Beijing marketing management center and Beijing Chateau AFIP.

**Mr. Qingkun Kong**, male, 50, Chinese, MBA and economist, used to serve as a section member of production department in the healthy liquor branch office, a clerk and the Deputy Director and the Director of general manager office, and the chairman of the Company's Board of Supervisor. Currently, he serves as a General Manager Assistant of the Company.

**Mr. Shilu Liu**, male, Han ethnic, Chinese, 48, master degree, used to be the Manager of Tianjin branch of the Company, the Competence Manager of North China market, the General Manger of Beijing marketing management company, the General Manager of Guangdong marketing management center and the General Manager of e-commerce branch of the Company. Currently, he serves as the General Manager Assistance of the Company and the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd..

**Mr. Zhenbo Xiao**, male, Han ethnic, Chinese, 46, MBA, served as the Deputy Manager of the Company's market strategy development center, the General Manager of Shandong marketing management company and Yantai Changyu liquor company. He currently serves as the General Manager Assistant of the Company.

Post in the shareholder's company

Available     Not available

Name	Shareholder's Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder's company or not
ZHOU Hongjiang	Yantai Changyu Group Co., Ltd.	Chairman	2018.01.10	2026.01.11	No
LENG Bin	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	Yes
LENG Bin	Yantai Changyu Group Co., Ltd.	Director & General manager	2018.01.10	2026.01.11	Yes
SUN Jian	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
LI Jiming	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
CHEN Dianxin	Yantai Changyu Group Co., Ltd.	Director	2018.11.15	2026.01.11	No
Aldino Marzorati	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Enrico Sivieri	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Stefano Battioni	Yantai Changyu Group Co., Ltd.	Director	2020.04.09	2026.01.11	No
CHIANG Yun	Yantai Changyu Group Co., Ltd.	Director	2020.05.12	2026.01.11	No
Explanation for the post in the shareholder's company	Mr. Bin Leng also holds concurrent post as the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd., which is a subsidiary of Yantai Changyu Group Co., Ltd..				

Post at other companies

Available     Not available

Disciplinary actions taken by securities regulators in recent 3 years to the Company's directors, supervisors and senior management both on the job and left during the report period

Available     Not Available

### (3) Salary of directors, supervisors and senior executives

The situation of decision-making process, the basis of determination and the actual payment of remuneration for directors, supervisors and senior executives

The salary for the independent directors is paid according to the resolution of shareholders' meeting. The salary for the chairman, directors with administration duty, managers and other senior management should be paid on basis of the evaluation result according to the *Yantai Changyu Pioneer Wine Co., Ltd. Executive Compensation and Performance Design*, which was passed during the Board of Directors' meeting.

Salary of directors, supervisors and senior executives during the report period

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the Company before tax	Whether get reward from related parties of the Company
ZHOU Hongjiang	Chairman	M	58	Incumbent	149.62	No
SUN Jian	Director and General Manager	M	56	Incumbent	115.77	No
LI Jiming	Director and Deputy General Manager	M	56	Incumbent	85.05	No
JIANG Jianxun	Director, Deputy General Manager and Board secretary	M	56	Incumbent	87.90	No
CHEN Dianxin	Director	F	56	Incumbent	0	Yes
Aldino Marzorati	Director	M	70	Incumbent	0	No
Stefano Battioni	Director	M	64	Incumbent	0	No
Enrico Sivieri	Director	M	54	Incumbent	0	No
CHIANG Yun	Director	F	55	Incumbent	0	No
DUAN Changqing	Independent Director	M	58	Incumbent	10	No
LIU Huirong	Independent Director	F	59	Incumbent	10	No
LIU Qinglin	Independent Director	M	59	Incumbent	10	No
YU Renzhu	Independent Director	M	44	Incumbent	10	No
WANG Zhuquan	Independent Director	M	57	Incumbent	6	No
LUO Fei	Independent Director	M	70	Outgoing	5	No
LENG Bin	Supervisor	M	60	Incumbent	0	Yes
ZHENG Wenping	Supervisor	F	54	Incumbent	24.09	No
Liu Zhijun	Supervisor	M	42	Incumbent	0	Yes
Zhang Lanlan	Supervisor	F	53	Outgoing	14.11	No
JIANG Hua	Deputy General Manager	M	59	Incumbent	98.70	No
PENG Bin	Deputy General Manager	M	56	Incumbent	82.45	No
PAN Jianfu	General Manager Assistant	M	47	Incumbent	63.81	No
KONG Qingkun	General Manager Assistant	M	50	Incumbent	58.43	No
LIU Shilu	General Manager Assistant	M	48	Incumbent	58.80	No
XIAO Zhenbo	General Manager Assistant	M	46	Incumbent	63.31	No
Total	--	--	--	--	953.04	--

## 6. Performance of directors during the report period

### (1) The situation of the board of directors' meetings during this reporting period

The session of meetings	Holding date	Disclosure date	Meeting resolution
The Eighth Session Board of Directors 11 <sup>th</sup> Meeting	2022.04.25	2022.04.27	The meeting deliberated and approved <i>2021 Annual Board of Directors' Work Report, 2021 Annual General Manager's Work Report, 2021 Annual Report, Draft Proposal on 2021 Annual Profit Distribution, Proposal on 2021 Annual Performance Assessment Result of the Company's Senior Executives, 2021 Annual Self Assessment Report on Internal Control, 2021 Annual Social Responsibility Report, Proposal on Relevant Issues of Convening 2021 Annual Shareholders' Meeting, Proposal on Reelection of Board of Directors, Proposal on Appointing Independent Directors, Proposal on Appointment of Certified Public Accounting Firm, Proposal on 2022 Annual Capital Expenditure Plan, Proposal on 2022 Annual Routine Related Transaction, Proposal on 2022 Annual Financial Budget, Proposal on Changing License Use Mode of 'Changyu' Trademarks and Proposal on Liquidation of Joint Venture Company Yantai Santai Real Estate Development Co., Ltd..</i>
The First Interim Board of Directors Meeting in 2022	2022.04.28	-	The meeting deliberated and approved <i>2022 First Quarter Report.</i>
The Ninth Session Board of Directors 1 <sup>st</sup> Meeting	2022.06.09	2022.06.10	The meeting deliberated and approved <i>Proposal on Electing Chairman of the Company, Proposal on Electing Auditing Committee Members, Proposal on Electing Emolument Committee Members, Proposal on Appointing General Manager and Other Senior Management and 2022-2024 Performance Evaluation and Remuneration Incentive Measures for Senior Management.</i>
The Ninth Session Board of Directors 2 <sup>nd</sup> Meeting	2022.08.24	2022.08.26	The meeting deliberated and approved <i>2022 Semi-Annual Report and Proposal on 2022 Semi-Annual Profit Distribution.</i>

The Ninth Session Board of Directors 3 <sup>rd</sup> Meeting	2022.10.26	-	The meeting deliberated and approved <i>2022 Third Quarter Report</i> .
--	------------	---	---

## (2) Attendance of directors for the board of directors' and the shareholders' meetings

Attendance of directors for the board of directors							
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice	Attendance time for the shareholders' meeting
ZHOU Hongjiang	5	2	3	0	0	No	1
LENG Bin	2	1	1	0	0	No	0
SUN Jian	5	2	3	0	0	No	1
LI Jiming	5	2	3	0	0	No	1
JIANG Jianxun	3	1	2	0	0	No	1
CHEN Dianxin	5	2	3	0	0	No	0
Aldino Marzorati	5	1	3	1	0	No	0
Stefano Battioni	5	2	3	0	0	No	0
Enrico Sivieri	5	1	3	1	0	No	0
CHIANG Yun	5	2	3	0	0	No	0
LUO Fei	2	1	1	0	0	No	0
DUAN Changqing	5	2	3	0	0	No	0
LIU Huirong	5	2	3	0	0	No	0
LIU Qinglin	5	2	3	0	0	No	0
YU Renzhu	5	2	3	0	0	No	0
WANG Zhuquan	3	1	2	0	0	No	0

Explanation for failed to personally attend the Board of Directors' meetings for successive two times

During the report period, there were no directors who did not attend the Board of Directors' meetings in person for two consecutive times.

### (3) Any objections for the Company's projects from the directors

Whether or not the directors raised any objection for the Company's projects

Yes  No

During the report period, the directors did not raise any objections for the Company's projects.

### (4) Other explanations on directors' performance

Whether or not the directors' propositions are accepted by the Company

Yes  No

Explanation on acceptance or refusal of the independent directors' propositions to the Company

The following recommendations of directors to the Company were adopted:

- ① Increase the degree of business development of online business (i.e. e-commerce) when offline marketing activities were difficult to carry out.
- ② Further strengthen and improve the disclosure of the Company's social responsibility information.

## 7. Performance of the special committees under the Board of Directors during the report period

Committees name	Members	Numbers of meeting held	Held date	Meeting contents	Important comments and suggestions made	Other performance of duties	Specific circumstances of the objection (if have)
Auditing Committee	DUAN Changqing, LIU Huirong, LIU Qinglin, Yu Renzhu, LUO Fei, CHEN Dianxin, LENG Bin, Enrico Sivieri	1	2022.04.25	The meeting deliberated and approved the <i>2021 Annual Report, Draft Proposal on 2021 Annual Profit Distribution, Proposal on Appointing Certified Public Accountants Firm, 2021 Annual Self Assessment Report on Internal Control,</i>	During the reporting period, the members of the Audit Committee provided advice and suggestions in guiding the internal audit work, supervising and	No	No

				<i>2022 Annual Internal Audit Plan</i> . All the committee members unanimously agreed to submit the above proposals to the board of directors of the company for deliberation.	evaluating external audit institutions, establishing an effective internal control system and prompting major business risks, and actively safeguarded the interests of the company and all shareholders.		
	DUAN Changqing, LIU Huirong, LIU Qinglin, Yu Renzhu, WANG Zhuquan, CHEN Dianxin, JIANG Jianxun, Enrico Sivieri	1	2022.06.09	The meeting deliberated and approved the <i>2022 Semi-Annual Report and Proposal on 2022 Semi-Annual Profit Distribution</i> .			
Emolument Committee	DUAN Changqing, LIU Huirong, LIU Qinglin, Yu Renzhu, LUO Fei, CHIANG Yun, LENG Bin, Enrico Sivieri	1	2022.04.25	The meeting deliberated and approved the <i>Proposal on 2021 Annual Performance Assessment Results of the Company's Senior Executives</i> .	During the reporting period, the Emolument Committee put forward relevant suggestions on further strengthening the performance assessment of senior executives and improving the way of remuneration.	No	No

## 8. The work of the Board of Supervisors

Whether or not the Board of Supervisors found any existence risk to the Company in oversight activities during the report period

Yes  No

The Board of Supervisors has no objections to supervision matters during the report period.

## 9. Staff of the Company

### (1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company at the end of reporting period(people)	637
Incumbent staff number of major subsidiary companies at the end of reporting period (people)	1,633
Total incumbent staff at the end of reporting period (people)	2,270
Total staff getting paid in current period (people)	2,270
Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people)	0
<b>Specialty constitution</b>	
Category	Number of people (people)
Production staff	705
Sales staff	1,087
Technical staff	137
Financial staff	108
Administrative staff	233
Total	2,270
<b>Education degree</b>	
Category	Number (People)
Postgraduate and above	92
Bachelor	867
Junior College	688
Technical secondary school or Senior high school	432
Junior high school and below	191
Total	2,270

### (2) Remuneration policy

The Company has established and improved the remuneration and welfare system, including salary system, incentive mechanism, social security and medical insurance and so on, to ensure the participation of all employees. In accordance with the law, the Company purchases social endowment insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, and pays housing fund for the employees. Based on the principle of “distribution according to work and equal pay for equal work”, the Company pays the staff’s remuneration timely. With the improvement of the Company’s profitability, the Company steadily improves the staff’s remuneration and welfare, and provides its employees the competitive salary and equal opportunity for development.

### (3) Training plan

#### ① Senior and Middle-level Managers

##### 1) General training

Participate in the training for directors and supervisors of listed companies organized by securities regulatory authorities; regularly hold the theoretical study of the leadership team and the study of the central group; study Party documents and current political spirit seriously; strengthen human resources management training, and pay real-time attention to the policies and regulations by the national, provincial and municipal governments

## 2) Professional training

Encourage self-study; Participated in Entrepreneur Exchange Forum and Summit Meeting and go to domestic successful enterprise for visit and study; encourage middle-level administrative staff to attend university correspondence, self-study examination, or other further education for high-level degree; organize professional management cadres, involved in human resources, finance, safety and quality etc., to attend vocational qualification examination; attend special training such as safety, human resource, law, technology, facility, finance, etc., which are organized by the Company's special management department.

### ② Administrative Staff in Production, Tourism and Administrative Systems Whose Level are or Below Section Chief

#### 1) General training

Hire professional lecturers or university teachers to teach to improve employees' professional ability, innovation ability and thinking expansion ability; carry out training on enterprise development history, rules and regulations and basic knowledge of wine, and strengthen training on human resource management, production safety and quality and safety; organize employees to participated in outward-bound training.

#### 2) Professional training

Select two books for individual self-study; Encourage eligible general administrative staff to attend university correspondence, self-study examination, MBA or other further education for master degree; organize professional administrative staff, involved in human resources, finance, safety and quality etc., to attend vocational qualification examination for professional certificate; based on personnel work, attending special training such as safety, technology, finance, human resource, legal etc., which are organized by special management department.

### ③ Front-line Workers in Production and Tourism System

#### 1) General training

Attend trainings including company culture, regulatory framework and various liquor products knowledge, and reinforce training in the aspect of human resources management.

#### 2) Professional training

For special types of work, organize and participate in the corresponding job training ; attend special training such as safety, technology, facility, comprehensive management etc..

### ④ Marketing Personnel

#### 1) General training

Study training materials such as marketing textbooks, the country's relevant policy documents, post responsibility system and so on

#### 2) Professional training

Hire professional lecturers or invite industry leaders to give lectures on successful wine marketing cases, wine industry development trend, business direction for sales business division manager assistant-level personnel and above.

The training for sales business division management personnel whose level are or below section chief focuses on organizational structure, department responsibilities, rules and regulations, brand positioning, product knowledge, marketing method, etc..

⑤ New Entry University Students

Conduct training for enterprise culture, rules and regulations, safety production, product quality, marketing strategy, emolument and evaluation system; carry out outward-bound training courses such as role transition, execution, collaboration and win-win content and so on; organize to rotate to the wine production position for internship.

**(4) Labor outsourcing**

Available     Not available

**10. The Company's profit distribution and increasing equity with capital reserve**

Profit distribution policies especially promulgation, implementation or adjustment of cash dividends policies during the report period

Available     Not available

Deliberated and passed by the 2021 Annual Shareholders' Meeting convened on May 27<sup>th</sup>, 2022 by the Company, the Company's 2021 annual profit distribution scheme is shown as follows: based on total 685,464,000 shares (including 453,460,800 A shares and 232,003,200 B shares) up to December 31<sup>st</sup>, 2021, the Company would pay cash dividend to all shareholders registered on the share registration day: CNY4.5 (including tax) in cash per ten shares. This time the Company would neither dispatch bonus shares nor increase equity with capital reserve.

Total amount of shares has not changed since the disclosure of the distribution plan to the implementation period.

On July 6<sup>th</sup>, 2022, the Company published *the Implementation Announcement of 2021 Annual Equity Distribution* on *China Securities Journal*, *Securities Times* and *www.cninfo.com.cn*, determining that the share registration day and the ex-dividend day of A Share was respectively on July 12<sup>th</sup>, 2022 and on July 13<sup>th</sup>, 2022; the last trading day, the ex-dividend day and the share registration day of B Share was respectively on July 12<sup>th</sup>, 2022, on July 13<sup>th</sup>, 2022 and on July 15<sup>th</sup>, 2022.

This time the dispatching objects contain all A Share shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company (hereinafter referred to as CSDC Shenzhen Company) after closing of Shenzhen Stock Exchange in the afternoon of July 12<sup>th</sup>, 2022 and all B Share shareholders registered at CSDC Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 15<sup>th</sup>, 2022 (the last trading day is July 12<sup>th</sup>, 2022).

This dispatching has already been completed in mid-July 2022. The profit distribution scheme implemented this time is consistent with the scheme deliberated and passed by the shareholders' meeting. The implementation of the profit distribution scheme for this time is not more than two months after the shareholders' meeting passing it.

Special explanation for the cash dividends policy	
Whether it is in accordance with the requirements of the regulation in the Articles of Association and the resolution of shareholders' meeting	Yes

Whether the distribution standard and proportion is clear and definite	Yes
Whether the relevant decision process and mechanism is complete	Yes
Whether the independent directors perform their responsibilities and play the roles	Yes
Whether the small and middle shareholders have the chance to express their opinions and appeals, as well as their lawful right and interest is in an enough protection	Yes
Whether it is legal and transparent for the condition and process while adjusting and amending the cash dividends policy	Yes

During the report period, the Company earned profit, the profit of the parent company that could be distributed to shareholders was positive but without proposing cash dividend distribution preliminary scheme.

Available     Not available

The Company's preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve for the report period

Available     Not available

Number of sending bonus shares per ten shares (share)	0
Number of dividend payout per ten shares (CNY) (including tax)	4.50
The cardinal number of the capital stocks for the preliminary distribution scheme (share)	685,464,000
Cash dividend distribution (CNY) (including tax)	308,458,800
Amount of cash dividends (eg. shares buy-back) (CNY) in other ways	0
Total cash dividend distribution (CNY) (including other ways)	308,458,800
Attributable profit (CNY)	428,681,411
The proportion of cash dividend distribution in the total profit distribution (including other ways)	100

#### Cash dividend distribution this time

If the Company's development is in growth stage and major capital expenditure is arranged, while making profit distribution, the proportion of cash dividends should takes up no less than 20% in this profit distribution.

#### Detailed explanation for the preliminary scheme of profit distribution or increasing equity with capital reserve

According to the audit result from KMPG Huazhen LLP, the net profit belonging to the parent company's shareholders in the consolidated statement in 2022 is CNY428,681,411 and the net profit of the parent company in financial statement in 2022 is CNY749,757,149. According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company at the end of 2022 as following:

Unit: CNY

	Consolidation	Parent company
Year-end undistributed profit	9,049,649,211	9,582,860,014
Among which: Total comprehensive income in 2022	428,681,411	749,757,149
Undistributed profit carried forward from beginning of the year	8,929,426,600	9,141,561,665

Dividends distribution of 2021	308,458,800	308,458,800
Legal earned surplus reserve to be drawn	0	0

According to regulation of 157<sup>th</sup> item in the *Articles of Association*, which is that “the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the last three years is not less than 30% of the yearly average distributable profit to be realized in the last three years”. Meanwhile, considering the amount on the capital expenditure in 2023, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2022 as following:

Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company’s 685,464,000 shares at total up to December 31<sup>st</sup>, 2022, the Company plans to pay CNY4.5 in cash as dividends for every ten share (including tax) to the Company’s all shareholders, totaling up to CNY308,458,800. The retained and undistributed net profit will be reserved for distribution in the next year.

The cash dividend distributed to shareholders of domestic listed foreign shares (B share) is paid in HKD converted based on the middle rate between CNY and HKD issued by the People’s Bank of China on the first working day after the resolution date of 2022 shareholders’ meeting.

## 11. Implementation of the Company’s equity incentive plan, employee stock ownership plan or other employee incentive measures

Available     Not available

There are no implementation of the Company’s equity incentive plan, employee stock ownership plan and other employee incentive measures during the report period.

## 12. Construction and implementation of internal control system during the reporting period

### (1) Construction and implementation of internal control

For the construction and implementation of the company’s internal control, please refer to the *2022 Annual Self-Assessment Report on Internal Control* disclosed in *Securities Times*, *China Securities Journal* and *www.cninfo.com.cn* on April 13<sup>th</sup>, 2023.

**(2) Specific situations for significant defects of the internal control found during the report period**

Yes  No

**13. The company's management and control over subsidiaries during the reporting period**

Company name	Integration plan	Integration progress	Problems encountered in integration	Actions taken	Resolve progress	Follow-up resolution plan
None	None	None	None	None	None	None

**14. Internal control self-assessment report or internal control audit report****(1) Internal control self-assessment report**

Disclosure date for full text of the internal control self-assessment report	2023.04.13	
Disclosure index for full text of the internal control self-assessment report	2022 Annual Self-Assessment Report on Internal Control disclosed on Securities Times, China Securities Journal and <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> by the Company on April 13 <sup>th</sup> , 2023	
Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements	84.93%	
Percentage of unit operating income included in scope of the assessment accounting for the Company's operating income of consolidated financial statements	92.41%	
Standards of Defect Identification		
Category	Financial report	Non-financial report
Qualitative criteria	Significant defects: one defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report. For example: ① Company's Directors, Supervisors and Senior Management have fraudulent practices; ② The Company makes corrections for the published financial report; ③ The audit of external intermediary agent finds significant misstatement existing in the current financial report, but the Company does not	Significant defects: Any situations listed below appears, it can be regarded as significant defects. ① Operation: Unable to achieve all operation target or key business index, widely out of budget in various aspects. ② Safety accident effects: Cause one person and above death, or more than 3 person serious injuries. ③ Major negative effects: Negative information frequently appears in the medias with involving a wide scope in the international and national

	<p>realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ The Company's audit committee and internal audit department makes an inefficient supervision for internal control; ⑥ Other situations maybe cause significant misdirection which guides the report users to make the right judgment.</p> <p>Major defects: The defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report, although the misstatements neither achieves nor exceeds the importance level but still arising the attention of Board of Directors and management team. ① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and special deal; ④ Negative news appears in the media with influencing a wide scope; ⑤ One or more defects exist in the control during the process of the ending financial report, and the target of achieving truthfulness and integrity cannot be reasonably guaranteed in the financial report; ⑥ General defects refer to the other control defects, which do not constitute the significant and major defects.</p>	<p>mainstream media. ④ Environment effects: Create irreparable damages to environment, and cause massive public complains.</p> <p>Major defects: Any situations listed below appears, it can be regarded as major defects. ① Operation: Unable to achieve partly operation target, a big margin out of budget in various aspects. ② Safety accident effects: Without reaching the number of person loss or serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures.</p> <p>General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable to constitute the significant defects or major defects. ④ Environment effects: Other environment effects unable to constitute the significant defects or major defects.</p>
<p>Quantitative criterion</p>	<p>For total assets/Owner's equity:</p> <p>① Significant defects: misstatements <math>\geq 1\%</math>, or                  ② Major defects: <math>0.5\% \leq \text{misstatements} &lt; 1\%</math>, or                  ③ General defects: misstatements <math>&lt; 0.5\%</math></p> <p>For operation revenue:</p> <p>① significant defects: misstatements <math>\geq 1\%</math>, or                  ② Major defects: <math>0.5\% \leq \text{misstatements} &lt; 1\%</math>, or                  ③ General defects: misstatements <math>&lt; 0.5\%</math></p> <p>For pretax profit:</p> <p>① Significant defects: misstatements <math>\geq 5\%</math>, or</p>	<p>For direct property loss:</p> <p>① Significant defects: More than CNY10million                  ② Major defects: CNY1million-CNY10million (including CNY1million)                  ③ General defects: Less than CNY1million</p>

	② Major defects: 2% ≤ misstatements < 5%, or ③ General defects: misstatements < 2%	
Number of significant defect in financial report		0
Number of significant defect in non-financial report		0
Number of major defect in financial report		0
Number of major defect in non-financial report		0

**(2) Internal control audit report**
 Available     Not available

Audit opinions of the internal control audit report	
We believe that, the company maintained effective internal control over financial reporting in all material aspects in accordance with the <i>Basic Norms for Corporate Internal Control</i> and related regulations on December 31 <sup>st</sup> , 2022.	
Disclosure of the internal control audit report	Disclosure
Disclosure date for the full text of the internal control audit report	2023.04.13
Disclosure index for the full text of the internal control audit report	2022 Annual Self-Assessment Report on Internal Control disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> by the Company on April 13 <sup>th</sup> , 2023.
Opinion type of the internal control audit report	Standard without reserved opinion
Whether or not exists significant defects in non-financial reports	No

Whether or not the accounting firm issued non-standard opinions for the audit report of internal control

 Yes     No

Whether the audit report of internal control issued by the accounting firm is in consistency with the self-assessment report of the board of directors

 Yes     No
**15. Self-inspection and rectification of problems in the special action on governance of listed company**

No.

## V. Environmental and Social Responsibility

### 1. Major Environmental issues

Whether the listed company and its subsidiaries belong to major polluters published by the environmental protection department

Yes No

Policies and industry standards related to environmental protection

*The Environmental Protection Law of People's Republic of China, The Water Pollution's Prevention and Control Law of People's Republic of China, The Air Pollution's Prevention and Control Law of People's Republic of China, The Environmental Noise Pollution's Prevention and Control Law of People's Republic of China, The Environmental Solid Waste Pollution's Prevention and Control Law of People's Republic of China and The Environmental Protection Regulations of Liaoning Province; the national's General Principles of Hazardous Waste Identification Standards, Surface Water Environmental Quality Standards, Groundwater Environmental Quality Standards, Environmental Air Quality Standards, Acoustic Environmental Quality Standards, Emission Standard for Environmental Noise at the Boundary of Industrial Enterprises, Comprehensive Discharge Standard for Boiler Air Pollutants, The Limiting Value of Occupational Exposure to Hazardous Factors in the Workplace (Chemical Hazardous Factors) and Comprehensive Wastewater Discharge Standard of Liaoning Province.*

Administrative permit for environmental protection

It has been approved in the Huanhuanjianzi (2016) No.24 issued by the Environmental Protection Bureau of Huanren Manchu Autonomous County.

Industrial emission standards and specific information on the discharge of pollutants involved in production and business activities

Name of company or subsidiary	Name of major pollutants and particular pollutants	Name of major pollutants and characteristic pollutants	Mode of discharge	Quantity of discharge outlet	Distribution situation of discharge outlet	Discharge concentration	Implemented pollution discharge standard	Total volume of discharge	Total approved volume of discharge	Condition of excessive discharge
Liaoning Changyu Icewine Chateau Co., Ltd.	Organized exhaust gas, inorganic exhaust gas, waster water,	exhaust gas, waster water, noise	Discharge outlet of boiler chimney and discharge outlet of factory waste	2	Confirmed in line with national standard <i>Graphical Signs for Environmental</i>	Meeting the national standards	<i>Emission Standard for Air Pollutants of Boiler (GB13271-2014), Emission Standard for Odor Pollutants (GB14554-93), 4a in Class 2 of Emission Standard for Environmental Noise at the Boundary of Industrial Enterprises</i>	35m <sup>3</sup> /d	120m <sup>3</sup> /d	No

	noise		water		Protection (GB15562.1-1995) (GB15562.2-1995)		(GB12348-2008), <i>Comprehensive Wastewater Discharge Standard of Liaoning Province</i> (DB21/1627-2008)			
--	-------	--	-------	--	--	--	---	--	--	--

Treatment of pollutants

The exhaust gas, SO<sub>2</sub> and NO<sub>x</sub> produced by this company's boiler are discharged through ceramic tube dust removers and bag dust removers. A wastewater treatment station has been constructed. The wastewater treatment process adopts the treatment process of hydrolysis aerobiont. Production wastewater and domestic sewage are treated by the in-plant wastewater treatment station and then discharged into the waste water treatment plant in Beidianzixiang Town.

Emergency plan for emergent environmental incident

The Company has formulated a comprehensive emergency plan for emergent environmental incident.

Environmental self-monitoring program

The Company has formulated a complete environmental self-monitoring program.

Investment in environmental governance and protection and payment of environmental protection tax

The Company has made sufficient investment in environmental protection, done a good job in environmental governance and protection and paid environmental protection tax in full and timely according to law.

Measures taken to reduce carbon emissions and their effects during the reporting period

Available     Not available

Administrative penalties for environmental issues during the reporting period

Company or subsidiary name	Reason for penalty	Violation	Penalty result	The impact on the production and operation of listed companies	The company's rectification measures
None	None	None	None	None	None

Other environmental information that should be made public

No

Other related environmental information

No

## **2. Social responsibility performance**

Please refer to *2022 Annual Social Responsibility Report* disclosed on *Securities Times*, *China Securities Newspaper* and [www.cninfo.com.cn](http://www.cninfo.com.cn) by the Company.

## **3. Consolidate and expand the achievements of poverty alleviation and rural revitalization**

The Company helped the old revolutionary base areas get rid of poverty and get rich by purchasing 1898 boxes of millet and 3796 boxes of apples produced by Huangchengyang Village, which worth CNY611,200, and given them to Company's employees. It not only increase the welfare of employees, but also expands the popularity of the agricultural products of the village and increases the income of people in the old revolutionary base areas.

## VI. Major issues

### 1. Implementation of commitments

**(1) Commitments that the Company's actual controllers, shareholders, related parties, acquirers and the Company and other related commitment parties have implemented during the report period and have not implemented up to the end of the report period**

Available     Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at the initial public offering or refinancing	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Forever	Has been performing
	Yantai Changyu Group Co.,Ltd.	Clear the use of trademark royalty	According to <i>Trademark License Contract</i> , the trademark royalty of Changyu and other trademarks paid by the Company to Yantai Changyu Group Co., Ltd. every year is mainly used for advertising Changyu and other trademarks and this contract products by Yantai Changyu Group Co., Ltd.	1997.05.18	1997.05.18 - 2019.04.04	According to <i>Trademark License Contract</i> , the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks including Changyu and contract products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has been performing its commitment.
Other commitments	Yantai Changyu Group Co.,Ltd.	Compensating unredeemed commitment	The CNY231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.	2019.04.04	2019.04.04 - 2023.12.31	Has been performing
Commitment under timely implementation or not	Yes					

Whether or not to have specific reasons of the unimplemented commitment and next steps	<p>According to the <i>Trademark License Contract</i> (hereafter referred to as “the Contract”), Changyu Group promises that the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contract products. But above-mentioned ‘mainly’ is not a specific number, which is easy to cause divergence due to different understanding and leads to problem appearance during the implementation process.</p> <p>From 2013 to 2017, Changyu Group collected a total of CNY420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY50,025,181, with a balance of CNY164,625,609. In 2018 and 2019, the trademark use fee collected of 2017 and 2018 is CNY155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY12,225,187, with a balance of CNY67,143,006. From 2013 to 2018, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY231,768,615. Changyu Group promises that the four-year trademark use fee from 2019 to 2022 will be used for offset. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.</p> <p>If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc. in order to implement the commitment.</p> <p>For detailed information, please refer to <i>Announcement on Commitment Issues of Yantai Changyu Group Co., Ltd.</i> disclosed on April 4<sup>th</sup>, 2019.</p>
--	---

**(2) The Company should make a statement on the achieved original profit forecast of assets or projects and its reason if there is profit forecast of Company’s assets or projects and the report period is still in the profit forecast period**

Available     Not available

**2. Non-operating capital occupying of listed company by controlling shareholder and its related parties**

Available     Not available

There are no non-operating capitals occupying of listed company by controlling shareholder and its related parties during the report period.

**3. Illegal external guarantee**

Available     Not available

There is no illegal guarantee situation during the report period.

**4. Explanation of board of directors on the latest *Non-standard Audit Report***

Available     Not available

**5. Explanation of *Non-standard Audit Report* given by accounting firm in the report period from board of directors, board of supervisors and independent directors (if have)**

Available  Not available

## 6. Compared with the last year's financial report, explanation of the changes in accounting policy, accounting estimation or correction of significant accounting errors

Available  Not available

There is no changes of accounting policy, accounting estimation or correction of significant accounting errors during the report period.

## 7. Compared with the last year's financial report, explanation for the changes of the consolidated statements scope

Available  Not available

During the reporting period, the newly established Yantai Kelidun Catering Co., Ltd. was included in the scope of consolidated statement; For other details of the the changes, please refer to “1. Interests in subsidiaries” in Note “VI Interests in other entities” to the financial report of this report .

## 8. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	KPMG Hua Zhen LLP
Remuneration for domestic accounting firm (CNY'0000)	205
Consecutive period for the audit service of domestic accounting firm	4
Name of certified public accountant for the audit service of domestic accounting firm	Ms. Ting Wang, Ms. Hui Jiang
Consecutive period for the certified public accountant's audit service of domestic accounting firm	4
Overseas accounting firm name (if have)	—
Remuneration for overseas accounting firm (CNY'0000) (if have)	0
Consecutive period for the audit service of overseas accounting firm (if have)	—
Name of certified public accountant for the audit service of overseas accounting firm (if have)	—
Consecutive period for the certified public accountant's audit service of overseas accounting firm (if have)	—

Whether or not to employ a new accounting firm during the report period

Yes  No

To employ internal control audit accounting firms, financial adviser or sponsor.

Available  Not available

This year, KPMG Huazhen LLP was hired as the internal control audit institution. The audit fee was not determined separately, but was CNY2.05million together with the financial report audit fee.

## 9. Face of suspension and termination of listing after the disclosure of annual report

Available  Not available

## 10. Bankruptcy reorganization

Available  Not available

There is no bankruptcy reorganization during the report period.

## 11. Material litigation and arbitration

Available  Not available

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

## 12. Penalty and rectification

Available  Not available

There are no penalty and rectification during the report period

## 13. Credit of the Company, holding shareholders and actual controllers

Available  Not available

## 14. Significant related transactions

### (1) Related transactions in relation to daily operations

Available  Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY'000)	Proportion accounting for amount of similar transactions	Approved transaction quota (CNY'0000)	Whether exceed approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
Yantai Shenma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and commission processing	Purchase and commission processing packaging materials	Agreement pricing	Determined by agreement	8,219	16.43%	9,000	No	Cash	No	2022.04.27	<i>Expected Announcement on 2022 Annual Routine Related Transaction disclosed in China Securities Journal, Securities Times and CNINFO in 2022</i>
Total				--	--	8,219	--	9,000	--	--	--	--	--
Details of the return of large sales				No									

Actual performance of the estimated total amount for daily operations related transactions by category that will occur during this period.	No
Reason for the deference between transaction price and market reference price(if available)	Not available

**(2) Related transactions in relation to acquisition and sales of assets or equity**

Available     Not available

There is no related transactions in relation to acquisition or sales of assets or equity during the report period.

**(3) Related transactions in relation to common foreign investment**

Available     Not available

There is no related transactions in relation to common foreign investment during the report period.

**(4) Related current credit and debt transactions**

Available     Not available

Whether or not existing non-operating related credit and debt transactions

Yes     No

There is no non-operating related credit and debt transactions during the report period.

**(5) Transactions with related financial companies**

Available     Not available

There is no deposit, loan, credit or other financial business between the Company and related financial companies and related parties.

**(6) Transactions between the related parties and financial companies controlled by the Company**

Available     Not available

There is no deposit, loan, credit or other financial business between the related parties and the financial companies controlled by the Company.

**(7) Other major related transactions**

Available     Not available

For other major related transactions, please refer to the Section IX “ Related Parties and Related Transaction” of the Financial Report of this report.

Disclosure website of interim report for major related transaction

Name of interim announcement	Disclosure date of interim announcement	Name of disclosure website for interim announcement
<i>None</i>	-	<i>None</i>

**15. Major and important contracts and execution results****(1) Trusteeship, contract and leasehold issues****① Trusteeship situation**

Available     Not available

There is no trusteeship situation during the report period

**② Contract situation**

Available     Not available

There is no contract situation during the report period.

**③ Leasehold situation**

Available     Not available

Explanation of leasehold situation

For the major leasehold situation during the reporting period, please refer to the “(4) Related Leases” of “4. Related Transaction” in “IX. Related Parties and Related Transaction” in the financial report of this report.

The project brought the profit and loss to the Company that reached more than 10% of the total profit of the Company during the reporting period

Available     Not available

There is no lease project brought the profit and loss to the Company that reached more than 10% of the total profit of the Company during the reporting period.

**(2) Major guarantee**
 Available     Not available

Unit: CNY'0000

External guarantee of the Company and its subsidiaries (excluding guarantee to subsidiaries)										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Collateral (if have)	Counter guarantee situation (if have)	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Economic and Technological Development Zone Management Council.	2016.12.22	34,160	2016.12.21	34,160	Joint liability assurance; Mortgage	-	-	10 years	No	No
Total of the external guarantee quota approved during the report period (A1)		0			Total of the actual external guarantee amount during the report period (A2)		0			
Total of the external guarantee quota approved by the end of the report period (A3)		34,160			Balance of the actual external guarantee by the end of the report period (A4)		34,160			
Guarantee situations between the Company and subsidiaries										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral	Counter guarantee situation	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	-	-	10 years	No	Yes
Kilikanoon Estate Pty Ltd	2018.12.05	8,528	2018.12.13	7,858	Joint liability assurance	-	-	5 year	No	Yes

Total of the guarantee quota approved to subsidiaries during the report period (B1)		0			Total of the actual guarantee amount for subsidiaries during the report period (B2)				0	
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)		80,704			Balance of the actual guarantee for subsidiaries by the end of the report period (B4)				80,034	
Guarantee situations between subsidiaries										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral	Counterguarantee situation	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Total guarantee amount of the Company (Total of above three major items)										
Total of the approved guarantee quota during the report period (A1+B1+C1)		0			Total of the actual guarantee amount during the report period (A2+B2+C2)				0	
Total of the approved guarantee quota by the end of the report period (A3+B3+C3)		114,864			Balance of the actual guarantee by the end of the report period (A4+B4+C4)				114,194	
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset					10.79%					
Among :										
The amount of guarantee for shareholders, actual controllers and their related parties (D)					0					
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly (E)					0					
Total amount of guarantee of the part that exceeds 50% of net assets (F)					0					
Total amount of the above-mentioned three items (D+E+F)					0					
Explanation for undue guarantees that have happened warranty liability or may take joint payback liabilities during the report period (if have)					No					
Explanation for violating due process to provide external guarantee (if have)					No					

Description of the specific situation of using compound guarantee

No.

**(3) Entrusting others to manage cash assets**

**① Financial management entrustment**

Available  Not available

There is no financial management entrustment during the report period.

**② Loan entrustment**

Available  Not available

There is no loan entrustment during the report period.

**(4) Other important contracts**

Available  Not available

There are no other important contracts during the report period.

**16. Other Major issues**

Available  Not available

There are no other major issues need to be explained during the report period.

**17. Major issues of Company's subsidiaries**

Available  Not available

## VII. Changes in Shares and the Shareholders' Situation

### 1. Changes in shares

#### (1) Changes in shares

Unit: share

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	Others	Subtotal	Amount	Percentage %
I. Shares with trading limited condition									
1. State-owned holdings									
2. State-owned legal person holdings									
3. Other domestic holdings									
Among which: domestic legal person									
domestic natural person									
4. Foreign-owned holdings									
Among which: foreign legal person									
foreign natural person									
II. Shares without trading limited condition	685,464,000	100%						685,464,000	100%
1. A shares	453,460,800	66.15%						453,460,800	66.15%

2. B shares	232,003,200	33.85%						232,003,200	33.85%
3. Oversea listed foreign shares									
4. Others									
III. Total shares	685,464,000	100%						685,464,000	100%

## Cause of share change

Available  Not available

## Approval of share change

Available  Not available

## Transfer ownership of changed shares

Available  Not available

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

Available  Not available

Other contents the Company thinks necessary or securities regulatory departments ask to make public.

Available  Not available

**(2) Changes in restricted shares**

Available  Not available

**2. Securities issuance and listing situation****(1) Securities issuance (exclude preferred share) during report period**

Available  Not available

**(2) Explanation of change in Company's total shares and shareholding structure and change in Company's assets and liability structure**

Available     Not available

**(3) Current internal employee shares**

Available     Not available

**3. Situation for shareholders and the actual controllers****(1) The number of shareholders of the Company and the shareholdings**

Unit: share

Total shareholders in the report period	44,371	Total number of shareholders by the end of last month before the disclosure day of the annual report	42,682	Total number of preferred shareholder recovering voting power by the end of report period (if have) (see note 8)	0	Total number of preferred shareholder recovering voting power by the end of last month before the disclosure day of the annual report (if have) (see note 8)	0	
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged /marked or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO., LTD.	Domestic non-state legal person	50.40%	345,471,556	-2,300	0	345,471,556		0
GAOLING FUND, L.P.	Foreign legal person	3.08%	21,090,219	0	0	21,090,219		0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	1.12%	7,683,016	-1,457,200	0	7,683,016		0
SHENWAN HONGYUAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	1.06%	7,293,952	-120,000	0	7,293,952		0
#JIANG Fengdi	Domestic natural person	0.77%	5,295,000	837,800	0	5,295,000		0
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.73%	4,998,831	-13,040	0	4,998,831		0

Haitong International Securities Company Limited-Account Client	Foreign legal person	0.73%	4,986,502	-25,369	0	4,986,502		0
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Foreign legal person	0.64%	4,420,086	1,341,261	0	4,420,086		0
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.59%	4,026,863	-144,000	0	4,026,863		0
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign legal person	0.55%	3,779,202	0	0	3,779,202		0
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders	No							
The explanation for the associated relationship and accordant action	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, while the relationship among the other shareholders is unknown.							
Explanation of the above-mentioned shareholders' entrustment/ fiduciary voting rights and waiver of the voting rights	No							
Special explanation for the existence of a special repurchase account among the top 10 shareholders	No							
The top 10 shareholders with shares without trading limited condition								
Name of Shareholders	Number of shares without trading limited condition held until the end of the year	Type of share						
		Type of share	Amount					
YANTAI CHANGYU GROUP CO., LTD.	345,471,556	A	345,471,556					
GAOLING FUND, L.P.	21,090,219	B	21,090,219					
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	7,683,016	B	7,683,016					
SHENWAN HONGYUAN SECURITIES (HONGKONG) LIMITED	7,293,952	B	7,293,952					
#JIANG Fengdi	5,295,000	A	5,295,000					
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	4,998,831	B	4,998,831					
Haitong International Securities Company Limited-Account Client	4,986,502	B	4,986,502					
HONG KONG SECURITIES CLEARING COMPANY LIMITED	4,420,086	A	4,420,086					
VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,026,863	B	4,026,863					

FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B	3,779,202
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business	The top 10 shareholders do not involve in financing activities and stock trade business.		

Whether or not the Company's top 10 common shareholders and shareholders with shares without trading limited condition take agreed repurchase trading during the report period

Yes  No

There is no agreed repurchase trading taken by the Company's top 10 common shareholders and shareholders with shares without trading limited condition during the report period.

## (2) Situation for the controlling shareholders of the Company

Property of holding shareholders: Property of holding main body undefined

Type of holding shareholders: Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Yantai Changyu Group Co., Ltd.	ZHOU Hongjiang	1997.04.27	913706002656458244	Production of wine, healthy liquor, distilled liquor and beverages( only produced by subsidiaries, shareholding companies and branches), sales of the above-mentioned products, cultivation of agricultural products and export business under the scope of permission.
Equity situation for the other domestic listed companies controlled or shared by the controlling shareholders during the report period				No.

Changes in the controlling shareholder during the report period

Available  Not available

There are no changes in the controlling shareholder during the report period.

### (3) Situation for the actual controllers of the Company and its persons acting in concert

Property of actual controllers: domestic other institutions; foreign other institutions

Type of actual controllers: Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Main business
Yantai Yuhua Investment & Development Co., Ltd.	JIANG Hua	2004.10.28	76779294-7	Under state permission, property investment, tenancy of machine and facility, wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electrical products, grape plantation.
ILLVA Saronno Holding S.p.a.	ALDINO MARZORATI	1984.07.25	—	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and service activities of any other kinds through joint-stock companies and organizations.
International Finance Corporation	Makhtar Diop	1956.07.25	—	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation service. The corporation is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people's life.
Yantai Guofeng Investment Holdings Group Co., Ltd.	RONG Feng	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service and consulting business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of

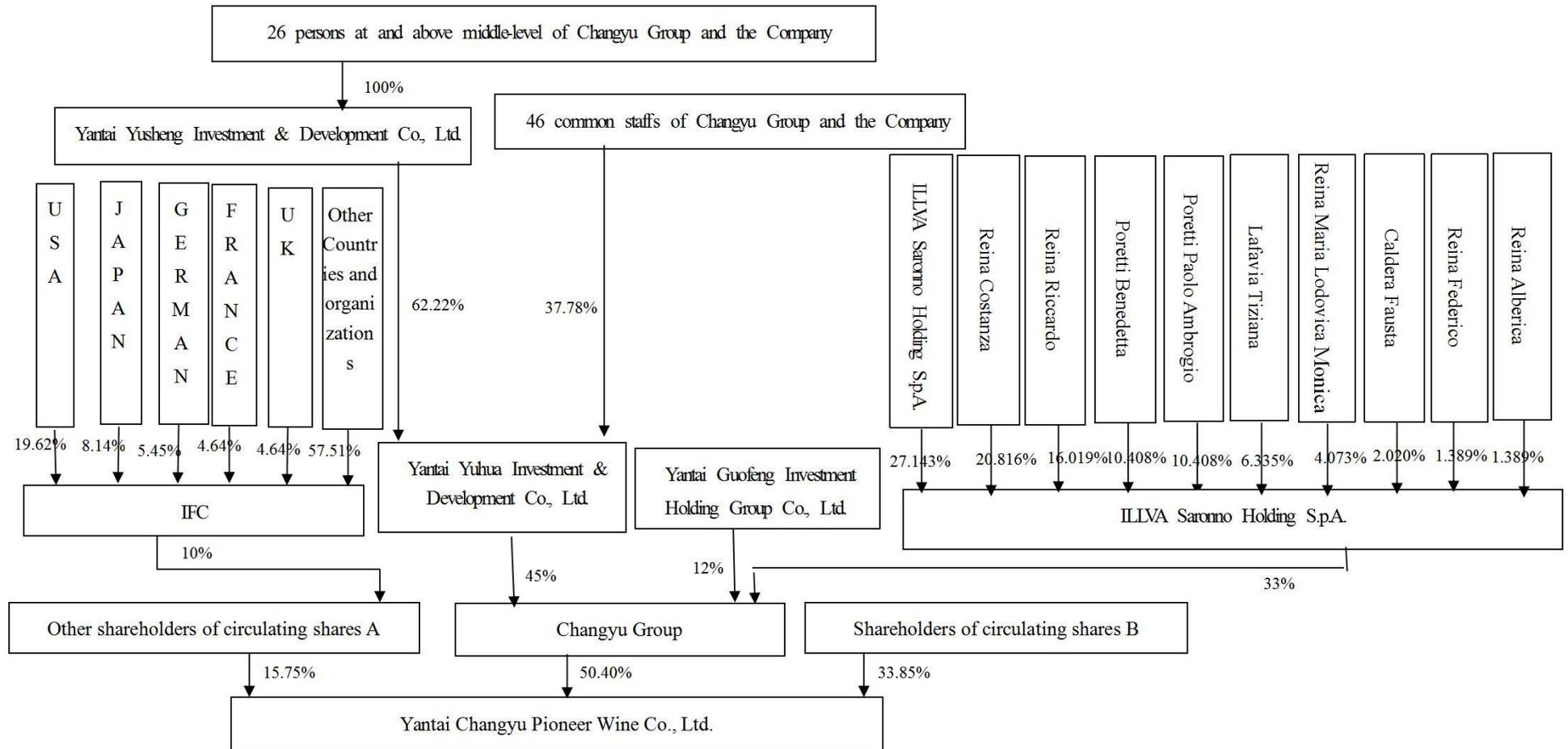
				Yantai Municipal Government; wholesale and retail of non-ferrous metal mineral products, gold (spot good), silver (spot good), chemical products (excluding dangerous goods), battery materials (excluding dangerous chemicals); import and export of goods and technologies. (The business scope does not include national pre-approval projects and projects restricted by national industrial policies; projects that are subject to approval according to law can only carry out business activities after approval by relevant departments).
Equity situation for the other domestic listed companies controlled by the actual controller during the report period		Yantai Yuhua Investment & Development Co., Ltd. did not control the equity of other domestic and foreign listed companies except the Company during the reporting period; It is not clear that other actual controllers control the equity of other domestic and foreign listed companies other than the Company during the reporting period.		

Changes of the actual controllers during the report period

Available     Not available

There are no changes in actual controllers during the report period.

Introduction for property right and control relations between the Company and its actual controllers



Actual controller controls the Company through a trust or other asset management ways

Available  Not available

**(4) The company's controlling shareholder or the largest shareholder and its concerted action person's cumulative pledged shares account for 80% of the company's shares held by them**

Available     Not available

**(5) Other institutional shareholders holding more than 10% shares**

Available     Not available

**(6) Shares reduction situations of holding shareholders, actual controllers, restructuring side and other commitment subjects**

Available     Not available

**4. The specific implementation of share repurchase during the reporting period**

Implementation progress of share repurchase

Available     Not available

Implementation progress of reducing share repurchased by centralized bidding

Available     Not available

## VIII. Related Situation of Preferred Shares

Available     Not available

There are no preferred shares during the report period.

## IX. Related Situation of Bonds

Available     Not available

## X. Financial Report

### 1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	April 11 <sup>th</sup> , 2023
Audit agency name	KPMG Huazhen Certified Public Accountants Co., Ltd. (special general partnership)
Audit report No.	KPMG Huazhen ShenZi No. 2304287
Certified public accountant's name	Ms. Ting Wang, Ms. Hui Jiang

YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS  
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022  
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH  
TRANSLATION, THE CHINESE VERSION WILL PREVAIL

## AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2304287

All Shareholders of Yantai Changyu Pioneer Wine Company Limited:

### Opinion

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu"), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2022, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders' equity and company statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and company financial position of Yantai Changyu as at 31 December 2022, and of its consolidated financial performance and company financial performance and its consolidated cash flows and company cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

### Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Yantai Changyu in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**AUDITOR'S REPORT (continued)**

KPMG Huazhen Shen Zi No. 2304287

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year. 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.

<b>Recognition of Sales Revenue from Distributors</b>	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 37.	
<b>The Key Audit Matters</b>	<b>How the Matter was Addressed in Our Audit</b>
<p>The principal activities of Yantai Changyu and its subsidiaries (hereinafter referred to as "Yantai Changyu Group") include manufacture and sales of wine, brandy and sparkling wine.</p> <p>The revenue of Yantai Changyu Group is mainly derived from sales of distributors. All distributor transaction terms adopt the unified transaction terms formulated by Yantai Changyu Group.</p> <p>Based on the contractual agreement and the business arrangement, Yantai Changyu sells products to distributors and the transfer of product ownership is completed and the revenue is recognised when the goods are delivered to distributors and signed for acceptance.</p> <p>As revenue is one of the key performance indicators of Yantai Changyu Group, there is a risk that management may recognise revenue earlier or later in order to meet specific performance targets or expectations, therefore, the risk of cut-off misstatement arising from distributors' sales revenue is identified as a key audit matter.</p>	<p>Our audit procedures to evaluate revenue recognition of sales revenue from distributors included the following:</p> <ul style="list-style-type: none"> <li>• Understand and evaluate the Management's design and operation effectiveness of key internal controls related to distributor sales revenue recognition;</li> <li>• Selecting the sales contracts Yantai Changyu signed with distributors in order to examine whether Yantai Changyu has adopted the unified transaction terms, and evaluate whether the accounting policy of revenue recognition meets the requirements of the Accounting Standards for Business Enterprises;</li> <li>• On a sampling basis, reconcile the revenue recorded for the year to relevant supporting files such as relevant orders and signed delivery notes, etc. to evaluate whether revenue is recognised in accordance with the accounting policy of Yantai Changyu;</li> </ul>

**AUDITOR'S REPORT (continued)**

KPMG Huazhen Shen Zi No. 2304287

**Key Audit Matters (continued)**

<b>Recognition of Sales Revenue from Distributors (continued)</b>	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 37.	
<b>The Key Audit Matters</b>	<b>How the Matter was Addressed in Our Audit</b>
	<ul style="list-style-type: none"> <li>• On a sampling basis, reconcile the sales transaction before and after balance sheet date to relevant supporting files such as relevant orders, signed delivery notes, etc. to evaluate whether revenue is recognised in appropriate accounting period;</li> <li>• Check the sales record after the balance sheet date to identify significant sales returns and check relevant supporting files (If applicable) in order to evaluate whether relevant revenue is recorded in the appropriate accounting period;</li> <li>• Select revenue accounting entries that meet specific risk criteria and check related supporting documents.</li> </ul>

## **AUDITOR'S REPORT (continued)**

KPMG Huazhen Shen Zi No. 2304287

### **Other Information**

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2022 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**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Yantai Changyu's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## **AUDITOR'S REPORT (continued)**

KPMG Huazhen Shen Zi No. 2304287

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with CSAs, we exercise professional judgement 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, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yantai Changyu'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 Yantai Changyu 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 Group to express our audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2304287

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 year 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.

KPMG Huazhen LLP  
(Stamp)

Certified Public Accountants Registered  
in the People's Republic of China

Wang Ting (Engagement Partner)  
(Signature and stamp)

Beijing, China

Jiang Hui  
(Signature and stamp)

Date: 11 04 2023

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated balance sheet  
 as at 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand	V.1	1,651,454,115	1,567,095,993
Bills receivable	V.2	2,712,460	42,827,666
Accounts receivable	V.3	343,982,985	291,006,410
Receivables under financing	V.4	309,329,918	364,457,497
Prepayments	V.5	60,415,508	75,235,879
Other receivables	V.6	70,542,398	30,125,270
Inventories	V.7	2,903,398,515	2,802,622,520
Other current assets	V.8	185,337,393	217,152,601
<b>Total current assets</b>		<b>5,527,173,292</b>	<b>5,390,523,836</b>
<b>Non-current assets</b>			
Long-term equity investments	V.9	41,371,385	46,496,510
Investment properties	V.10	22,115,318	24,502,258
<b>Fixed assets</b>	V.11	<b>6,028,137,972</b>	<b>5,687,867,314</b>
Construction in progress	V.12	40,934,161	590,172,099
Bearer biological assets	V.13	184,420,741	193,712,942
Right-of-use assets	V.14	139,887,159	134,569,039
Intangible assets	V.15	578,240,846	617,866,879
Goodwill	V.16	107,163,616	112,374,541
Long-term deferred expenses	V.17	274,699,232	284,593,163
Deferred tax assets	V.18	227,362,656	245,210,731
Other non-current assets	V.19	-	144,120,442
<b>Total non-current assets</b>		<b>7,644,333,086</b>	<b>8,081,485,918</b>
<b>Total assets</b>		<b>13,171,506,378</b>	<b>13,472,009,754</b>

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated balance sheet  
 as at 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	31 December 2022	31 December 2021
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V.20	389,378,480	622,066,457
Accounts payable	V.21	503,323,746	493,453,816
Contract liabilities	V.22	165,727,991	147,120,716
Employee benefits payable	V.23	182,951,538	195,019,441
Taxes payable	V.24	239,695,902	342,322,300
Other payables	V.25	372,608,689	453,033,491
Other current liabilities	V.26	18,945,706	18,374,193
Non-current liabilities due within one year	V.27	144,020,834	110,865,126
Total current liabilities		2,016,652,886	2,382,255,540
Non-current liabilities			
Long-term loans	V.28	128,112,115	176,047,043
Lease liabilities	V.14	109,505,093	101,811,588
Long-term payables	V.29	42,000,000	64,000,000
Deferred income	V.30	38,389,058	41,295,338
Deferred tax liabilities	V.18	11,266,932	11,803,970
Other non-current liabilities	V.31	-	2,119,671
Total non-current liabilities		329,273,198	397,077,610
Total liabilities		2,345,926,084	2,779,333,150

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated balance sheet  
 as at 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	31 December 2022	31 December 2021
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V.32	685,464,000	685,464,000
Capital reserve	V.33	524,968,760	524,968,760
Other comprehensive income	V.34	(23,760,238)	(34,707,177)
Surplus reserve	V.35	342,732,000	342,732,000
Retained earnings	V.36	9,049,649,211	8,929,426,600
Total equity attributable to shareholders of the Company		10,579,053,733	10,447,884,183
Non-controlling interests		246,526,561	244,792,421
Total owners' equity		10,825,580,294	10,692,676,604
Total liabilities and shareholders' equity		13,171,506,378	13,472,009,754

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

\_\_\_\_\_  
 Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

\_\_\_\_\_  
 Jiang Jianxun  
 The person in charge  
 of accounting affairs  
 (Signature and stamp)

\_\_\_\_\_  
 Guo Cuimei  
 The head of the  
 accounting department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company balance sheet  
 as at 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand		874,241,771	562,588,819
Accounts receivable		2,301,505	-
Bills receivable	XIV.1	-	9,800,000
Receivables under financing	XIV.2	41,061,417	62,411,636
Prepayments		3,518,783	406,500
Other receivables	XIV.3	720,176,320	398,072,976
Inventories		335,031,522	383,294,208
Other current assets		20,080,844	20,637,860
<b>Total current assets</b>		<b>1,996,412,162</b>	<b>1,437,211,999</b>
<b>Non-current assets</b>			
Long-term equity investments	XIV.4	7,705,853,378	7,599,421,494
Investment properties		22,115,318	24,502,258
<b>Fixed assets</b>		<b>216,651,596</b>	<b>231,284,799</b>
Construction in progress		375,969	255,996
Bearer biological assets		108,370,882	114,753,306
Right-of-use assets		36,153,799	36,826,342
Intangible assets		75,298,044	78,043,888
Deferred tax assets		12,120,605	18,033,185
Other non-current assets		1,850,200,000	2,023,500,000
<b>Total non-current assets</b>		<b>10,027,139,591</b>	<b>10,126,621,268</b>
<b>Total assets</b>		<b>12,023,551,753</b>	<b>11,563,833,267</b>

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company balance sheet  
 as at 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	<i>Note</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		100,000,000	150,000,000
Accounts payable		100,583,550	90,339,903
Employee benefits payable		68,112,832	66,770,838
Taxes payable		39,101,259	32,588,429
Other payables		499,751,275	445,874,937
Non-current liabilities due within one year		5,129,607	1,485,190
Total current liabilities		812,678,523	787,059,297
Non-current liabilities			
Lease liabilities		38,757,167	43,312,517
Deferred income		877,814	2,268,527
Deferred tax liabilities		-	88,555
Other non-current liabilities		-	1,164,471
Total non-current liabilities		39,634,981	46,834,070
Total liabilities		852,313,504	833,893,367

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company balance sheet  
 as at 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	31 December 2022	31 December 2021
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		685,464,000	685,464,000
Capital reserve		560,182,235	560,182,235
Surplus reserve		342,732,000	342,732,000
Retained earnings		9,582,860,014	9,141,561,665
Total owners' equity		11,171,238,249	10,729,939,900
Total liabilities and shareholders' equity		12,023,551,753	11,563,833,267

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang Legal Representative <i>(Signature and stamp)</i>	Jiang Jianxun The person in charge of accounting affairs <i>(Signature and stamp)</i>	Guo Cuimei The head of the accounting department <i>(Signature and stamp)</i>	(Company stamp)
--	--	--	-----------------

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated income statement  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
I. Operating income	V.37	3,918,941,160	3,953,067,583
Less: Operating costs	V.37	1,680,794,732	1,647,789,874
Taxes and surcharges	V.38	289,656,627	264,057,570
Selling and distribution expenses	V.39	1,028,966,138	998,954,105
General and administrative expenses	V.40	287,605,531	299,076,376
Research and development expenses		15,431,310	10,919,262
Financial expenses	V.41	7,256,207	21,178,727
Including: Interest expenses		26,856,890	28,851,606
Interest income		24,186,351	19,558,354
Add: Other income	V.42	33,145,440	48,240,741
Investment losses	V.43	(3,447,794)	(2,784,997)
Including: Losses from investment associates and in joint ventures		(3,447,794)	(2,784,997)
Credit reversal/(losses)	V.44	4,752,797	(7,937,144)
Impairment losses	V.45	(5,789,670)	(19,874,251)
Losses from disposal of assets	V.46	(16,191,903)	(11,939,284)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated income statement  
 for the year ended 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
II. Operating profit		621,699,485	716,796,734
Add: Non-operating income	V.47	6,832,809	5,214,304
Less: Non-operating expenses	V.47	2,949,991	6,311,844
III. Total profit		625,582,303	715,699,194
Less: Income tax expenses	V.48	194,233,589	209,020,821
IV. Net profit		431,348,714	506,678,373
(1) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		431,348,714	506,678,373
2. Net profit from discontinued operations		-	-
(2) Net profit classified by ownership:			
1. Net profit attributable to owners of the Company		428,681,411	500,102,606
2. Non-controlling interests		2,667,303	6,575,767
V. Other comprehensive income, net of tax		12,282,545	(39,307,949)
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		10,946,939	(35,283,306)
Translation differences arising from translation of foreign currency financial statements		10,946,939	(35,283,306)
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		1,335,606	(4,024,643)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated income statement  
 for the year ended 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
VI. Total comprehensive income for the year		443,631,259	467,370,424
(1) Attributable to shareholders of the Company		439,628,350	464,819,300
(2) Attributable to non-controlling interests		4,002,909	2,551,124
VII. Earnings per share:			
(1) Basic earnings per share	V.49	0.63	0.73
(2) Diluted earnings per share	V.49	0.63	0.73

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

Jiang Jianxun  
 The person in charge  
 of accounting affairs  
 (Signature and stamp)

Guo Cuimei  
 The head of the  
 accounting department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company income statement  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
I. Operating income	XIV.5	675,062,421	578,895,802
Less: Operating cost	XIV.5	577,316,851	472,158,738
Taxes and surcharges		27,984,695	38,263,612
General and administrative expenses		58,441,386	74,948,200
Research and development expenses		2,674,191	907,975
Financial expenses		(4,912,837)	2,193,348
Including: Interest expenses		3,238,235	5,870,092
Interest income		10,840,336	7,122,455
Add: Other income		5,318,209	6,108,832
Investment income	XIV.6	736,516,479	867,523,178
Proceeds from the disposal of assets		33,453	-
II. Operating profit		755,426,276	864,055,939
Add: Non-operating income		3,665,752	997,416
Less: Non-operating expenses		1,281,047	3,295,694

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company income statement  
 for the year ended 31 December 2022 (continued)  
*(Expressed in Renminbi Yuan)*

	<i>Note</i>	<i>2022</i>	<i>2021</i>
III. Total profit		757,810,981	861,757,661
Less: Income tax expenses		8,053,832	6,703,679
IV. Net profit		749,757,149	855,053,982
(i) Net profit from continuing operations		749,757,149	855,053,982
(ii) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income for the year		749,757,149	855,053,982

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

\_\_\_\_\_  
 Zhou Hongjiang  
 Legal Representative  
*(Signature and stamp)*

\_\_\_\_\_  
 Jiang Jianxun  
 The person in charge  
 of accounting affairs  
*(Signature and stamp)*

\_\_\_\_\_  
 Guo Cuimei  
 The head of the  
 accounting department  
*(Signature and stamp)*

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated cash flow statement  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		3,681,133,282	3,674,741,084
Refund of taxes		186,197,815	48,716,047
Proceeds from other operating activities	V.50(1)	61,825,407	89,142,251
Sub-total of cash inflows		3,929,156,504	3,812,599,382
Payment for goods and services		1,266,006,299	957,499,905
Payment to and for employees		493,589,542	507,532,110
Payment of various taxes		718,434,215	659,986,692
Payment for other operating activities	V.50(2)	582,249,801	562,198,017
Sub-total of cash outflows		3,060,279,857	2,687,216,724
Net cash flows from operating activities	V.51(1)	868,876,647	1,125,382,658
II. Cash flows from investing activities:			
Proceeds from disposal of investments		133,200,000	93,553,062
Investment returns received		1,340,518	2,587,932
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		28,412,630	7,923,724
Sub-total of cash inflows		162,953,148	104,064,718
Payment for acquisition of fixed assets, intangible assets and other long-term assets		198,791,362	225,502,766
Payment for acquisition of investments		108,200,000	54,218,000
Sub-total of cash outflows		306,991,362	279,720,766
Net cash flows from investing activities		(144,038,214)	(175,656,048)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated cash flow statement  
 for the year ended 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
III. Cash flows from financing activities:			
Proceeds from investors		-	7,840,000
Proceeds from borrowings		641,331,495	847,358,786
Sub-total of cash inflows		641,331,495	855,198,786
Repayments of borrowings		903,179,998	1,036,788,771
Payment for dividends, profit distributions or interest		333,134,330	302,051,763
Payment for other financing activities	V.50(3)	19,774,744	15,904,567
Sub-total of cash outflows		1,256,089,072	1,354,745,101
Net cash flows from financing activities		(614,757,577)	(499,546,315)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		345,715	(518,371)
V. Net increase in cash and cash equivalents	V.51(1)	110,426,571	449,661,924
Add: Cash and cash equivalents at the beginning of the year		1,502,327,029	1,052,665,105
VI. Cash and cash equivalents at the end of the year	V.51(2)	1,612,753,600	1,502,327,029

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang Legal Representative (Signature and stamp)	Jiang Jianxun The person in charge of accounting affairs (Signature and stamp)	Guo Cuimei The head of the accounting department (Signature and stamp)	(Company stamp)
---	---	---	-----------------

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company cash flow statement  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		610,597,839	514,762,698
Tax returns received		1,597,879	-
Proceeds from other operating activities		84,262,490	47,112,100
Sub-total of cash inflows		696,458,208	561,874,798
Payment for goods and services		401,136,965	313,397,323
Payment to and for employees		67,906,188	76,053,780
Payment of various taxes		50,709,754	39,248,076
Payment for other operating activities		23,452,120	71,110,685
Sub-total of cash outflows		543,205,027	499,809,864
Net cash flows from operating activities		153,253,181	62,064,934
II. Cash flows from investing activities:			
Proceeds from disposal of investments		118,200,000	38,200,000
Investment returns received		489,479,719	1,068,448,220
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,853,309	408,885
Proceeds from borrowings to subsidiaries		312,000,000	162,200,000
Sub-total of cash inflows		921,533,028	1,269,257,105
Payment for acquisition of fixed assets, intangible assets and other long-term assets		21,831,779	22,919,289
Payment for acquisition of investments		218,200,000	38,200,000
Cash paid to subsidiaries		138,700,000	655,000,000
Sub-total of cash outflows		378,731,779	716,119,289
Net cash flows from investing activities		542,801,249	553,137,816

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company cash flow statement  
 for the year ended 31 December 2022 (continued)  
 (Expressed in Renminbi Yuan)

	Note	2022	2021
III. Cash flows from financing activities:			
Proceeds from borrowings		100,000,000	150,000,000
Sub-total of cash inflows		100,000,000	150,000,000
Repayments of borrowings		150,000,000	150,000,000
Payment for dividends or interest		311,697,035	280,055,692
Payment for other financing activities		4,796,838	3,460,687
Sub-total of cash outflows		466,493,873	433,516,379
Net cash flows from financing activities		(366,493,873)	(283,516,379)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net increase in cash and cash equivalents		329,560,557	331,686,371
Add: Cash and cash equivalents at the beginning of the year		513,809,440	182,123,069
VI. Cash and cash equivalents at the end of the year		843,369,997	513,809,440

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang Legal Representative  (Signature and stamp)	Jiang Jianxun The person in charge of accounting affairs (Signature and stamp)	Guo Cuimei The head of the accounting department (Signature and stamp)	(Company stamp)
---	---	---	-----------------

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated statement of changes in shareholders' equity  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Balance at the beginning of the year		685,464,000	524,968,760	(34,707,177)	342,732,000	8,929,426,600	10,447,884,183	244,792,421	10,692,676,604
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	10,946,939	-	428,681,411	439,628,350	4,002,909	443,631,259
(2) Appropriation of profits	V.36								
Distributions to shareholders		-	-	-	-	(308,458,800)	(308,458,800)	(2,268,769)	(310,727,569)
III. Balance at the end of the year		685,464,000	524,968,760	(23,760,238)	342,732,000	9,049,649,211	10,579,053,733	246,526,561	10,825,580,294

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

Jiang Jianxun  
 The person in charge of  
 accounting affairs  
 (Signature and stamp)

Guo Cuimei  
 The head of the accounting  
 department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Consolidated statement of changes in shareholders' equity (continued)  
 for the year ended 31 December 2021  
 (Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company					Sub-total	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings			
I. Balance at the beginning of the year		685,464,000	524,968,760	576,129	342,732,000	8,714,091,755	10,267,832,644	236,597,990	10,504,430,634
Add: Changes in accounting policies		-	-	-	-	(10,582,161)	(10,582,161)	-	(10,582,161)
Adjusted balance at the beginning of the year		685,464,000	524,968,760	576,129	342,732,000	8,703,509,594	10,257,250,483	236,597,990	10,493,848,473
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(35,283,306)	-	500,102,606	464,819,300	2,551,124	467,370,424
(2) Shareholders' contributions									
Establishment of subsidiaries		-	-	-	-	-	-	7,840,000	7,840,000
(3) Appropriation of profits	V.36								
Distributions to shareholders		-	-	-	-	(274,185,600)	(274,185,600)	(2,196,693)	(276,382,293)
III. Balance at the end of the year		685,464,000	524,968,760	(34,707,177)	342,732,000	8,929,426,600	10,447,884,183	244,792,421	10,692,676,604

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

Jiang Jianxun  
 The person in charge of  
 accounting affairs  
 (Signature and stamp)

Guo Cuimei  
 The head of the accounting  
 department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company statement of changes in shareholders' equity  
 for the year ended 31 December 2022  
 (Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year		685,464,000	560,182,235	342,732,000	9,141,561,665	10,729,939,900
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	749,757,149	749,757,149
(2) Appropriation of profits						
Distributions to shareholders		-	-	-	(308,458,800)	(308,458,800)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	9,582,860,014	11,171,238,249

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

\_\_\_\_\_  
 Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

\_\_\_\_\_  
 Jiang Jianxun  
 The person in charge  
 of accounting affairs  
 (Signature and stamp)

\_\_\_\_\_  
 Guo Cuimei  
 The head of the  
 accounting department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
 Company statement of changes in shareholders' equity  
 for the year ended 31 December 2021 (continued)  
 (Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year		685,464,000	560,182,235	342,732,000	8,567,313,551	10,155,691,786
Add: Changes in accounting policies	III.33	-	-	-	(6,620,268)	(6,620,268)
Adjusted balance at the beginning of the year		685,464,000	560,182,235	342,732,000	8,560,693,283	10,149,071,518
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	855,053,982	855,053,982
(2) Appropriation of profits						
Distributions to shareholders		-	-	-	(274,185,600)	(274,185,600)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	9,141,561,665	10,729,939,900

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

Zhou Hongjiang  
 Legal Representative  
 (Signature and stamp)

Jiang Jianxun  
 The person in charge  
 of accounting affairs  
 (Signature and stamp)

Guo Cuimei  
 The head of the  
 accounting department  
 (Signature and stamp)

(Company stamp)

The notes on pages 106 to 189 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited  
Notes to the financial statements  
(Expressed in Renminbi Yuan unless otherwise indicated)

I. Company status

Yantai Changyu Pioneer Wine Co., Ltd. (the "Company" or the "Joint Stock Company") was incorporated as a joint stock limited company in accordance with the Company Law of the People's Republic of China (the "PRC") in a reorganisation carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group"), in which Changyu Group Company injected certain assets and liabilities in relation to the wine, brandy, and sparkling wine production and sales businesses to the Company. The Company and its subsidiaries (the "Group") are principally engaged in the production and sales of wine, brandy, sparkling wine, grape growing and acquisition, as well as travel resource development, etc.. Registration place of the Company is Yantai, Shandong. Headquarter of the Company is located at No. 56 Da Ma Lu, Zhifu District, Yantai, Shandong, PRC.

As at 31 December 2022 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note V. 32 in detail.

The holding company of the Group is Changyu Group Company, which is jointly controlled by Yantai GuoFeng Investment Holding Ltd., ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

The financial statements have been authorised by the board of directors on 11 04 2022. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

For consolidation scope of the year, please refer to Note VI "Equity in other entities" in detail.

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III. Significant accounting policies and accounting estimates

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2022, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

## 2 Accounting period

The accounting period is from 1 January to 31 December.

## 3 Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realisation of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is 12 months.

## 4 Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. Overseas subsidiaries of the Company adopt Euro, Chilean Peso and Australian Dollar as their functional currencies on the basis of the primary economic environment in which they operate. The Company adopts RMB to prepare its financial statements.

## 5 Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

### (1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

## (2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.18). If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.11(2)(b)). If equity interests of the acquiree held before acquisition-date were equity instrument investments measured at fair value through other comprehensive income, other comprehensive income recognised shall be moved to retained earnings on acquisition-date.

## 6 Consolidated financial statements

## (1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity investment is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III. 15). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses in the income statement are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.11), receivables, payables, loans and borrowings and share capital.

## (1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.22.

## (2) Classification and subsequent measurement of financial assets

## (a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

## (3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost by the Group.

## - Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

## - Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

## (4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

## (5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

## (6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- financial investments at fair value through other comprehensive income

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

For accounts receivable, loss allowance are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

For assets other than accounts receivable that meet one of the following conditions, loss allowance are measured at an amount equal to 12-month ECLs. For all other financial instruments, the Group recognises a loss allowance equal to lifetime ECLs:

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

### Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

### Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

### Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

## Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## (7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

## 10 Inventories

### (1) Classification and cost

Inventories include raw materials, work in progress and finished goods. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Agricultural products harvested are reported in accordance with the CAS No.1 - Inventories.

### (2) Measurement method of cost of inventories

Cost of inventories is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortised when they are used. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

### (3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for impairment, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a perpetual inventory system.

11 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale (See Note III. 28). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.20.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.11(3)) and rights to the net assets of the arrangement.

Associated enterprises refer to enterprises to which the Group can exercise significant influence (see Note III.11(3)).

A long-term equity investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.28).

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes

in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.20.

### (3) Criteria for determining the existence of joint control over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

## 12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights, unless the investment property is classified as held for sale (see Note III.28). For the impairment of the investment properties, refer to Note III.20.

<i>Category</i>	<i>Estimated useful life (years)</i>	<i>Residual value rate (%)</i>	<i>Depreciation rate (%)</i>
Plant and buildings	20 - 40 years	0 - 5%	2.4% - 5.0%

## 13 Fixed assets

## (1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.14.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

## (2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.28).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

<i>Class</i>	<i>Estimated useful life (years)</i>	<i>Residual value rate (%)</i>	<i>Depreciation rate (%)</i>
Plant and buildings	20 - 40 years	0 - 5%	2.4% - 5.0%

Machinery equipment	5 - 30 years	0 - 5%	3.2% - 20.0%
Motor vehicles	4 - 12 years	0 - 5%	7.9% - 25.0%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.20.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 – Revenue and CAS 1 – Inventories respectively, and recognised in profit or loss for the current period.

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20).

15 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, and construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition and construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

- To the extent that the Group borrows funds generally and uses them for the acquisition and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs should cease when the qualifying asset being constructed or produced has reached its expected usable or saleable condition. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally for a period of more than three months.

## 16. Biological assets

The Group's biological assets are bearer biological assets.

Bearer biological assets are those that are held for the purposes of producing agricultural produce, rendering of services or rental. Bearer biological assets in the Group are vines. Bearer biological assets are initially measured at cost. The cost of self-grown or self-bred bearer biological assets represents the necessary directly attributable expenditure incurred before satisfying the expected production and operating purpose, including capitalised borrowing costs.

Bearer biological assets, after reaching the expected production and operating purpose, are depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated net residual value rates and depreciation rates of bearer biological assets are as follows:

<i>Category</i>	<i>Estimated useful life (years)</i>	<i>Estimated net residual value rate</i>	<i>Depreciation rate (%)</i>
Vines	20 years	0%	5.0%

The Group evaluates the useful life and expected net salvage value by considering the normal producing life of the bearer biological assets.

Useful lives, estimated residual values and depreciation methods of bearer biological assets are reviewed at least at each year-end. Any changes should be treated as changes in accounting estimates.

For a bearer biological asset that has been sold, damaged, dead or destroyed, any difference between the disposal proceeds and the carrying amount of the asset should be recognised in profit or loss for the period in which it arises.

## 17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note III.20). For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.28).

The respective amortisation periods for intangible assets are as follows:

<i>Item</i>	<i>Amortisation period (years)</i>
Land use rights	40 - 50 years
Software licenses	5 - 10 years
Trademarks	10 years

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group had intangible assets with infinite useful lives including the land use rights and trademarks. Land use rights with infinite useful lives are permanent land use rights with permanent ownership held by the Group under the relevant Chile and Australian laws arising from the Group's acquisition of Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SPA. (collectively referred to as the "Chile Indomita Wine Group"), and the acquisition of Kilikanoon Estate Pty Ltd. (hereinafter referred to as the "Australia Kilikanoon Estate"), therefore there was no amortisation. The right to use trademark refers to the trademark held by the Group arising from the acquisition of the Chile Indomita Wine Group and the Australia Kilikanoon Estate with infinite useful lives. The valuation of trademark was based on the trends in the market and competitive environment, product cycle, and managing long-term development strategy. Those basis indicated the trademark will provide net cash flows to the Group within an uncertain period. The useful life is indefinite as it was hard to predict the period that the trademark would bring economic benefits to the Group.

## 18 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

## 19 Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

<i>Item</i>	<i>Amortisation period</i>
Land requisition fee	50 years
Greening fee	5 - 20 years
Leasehold improvement	3 - 5 years
Others	3 years

## 20 Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- bearer biological assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with infinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.21) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

## 21 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

## 22 Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period

between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance;
- or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

For the sale of a product with a right of return, the Group recognises revenue when the Group obtains control of that product, in the amount of consideration to which the Group expects to be entitled in exchange for the product transferred (i.e. excluding the amount of which expected to be returned), and recognises a refund liability for the products expected to be returned. Meanwhile, an asset is recognised in the amount of carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products), and carry forward to cost in the amount of carrying amount of the transferred products less the above costs. At the end of each reporting period, the Group updates its assessment of future sales return. If there is any change, it is accounted for as a change in accounting estimate.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

The Group's sales revenue is mainly derived from dealer sales. Revenue is recognised when the Group transfers control of the related products to the customer. Based on the business contract, the Group recognised the sales revenue of these transfers when the product is confirmed and signed for acceptance by the customers.

## 23 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

## 24 Employee benefits

### (1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

## (2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

## (3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 25 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Company for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

## 26 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

## 27 Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.22.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.20.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

## (2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.9. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

## 28 Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;
- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.21) less costs to sell (except financial assets (see Note III.9), deferred tax assets (see Note III.26) and investment properties subsequent measured at fair value (see Note III. 12) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.21) less costs to sell is recognised as an impairment loss in profit or loss.

## 29 Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

## 30 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

## 31 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2022, over 82% of revenue, more than 91% of profit and over 91% of non-current assets derived from China/are located in China. Therefore the Group does not need to disclose additional segment report information.

## 32 Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an

ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant accounting estimates see Notes V.3 7 11 and 16.

### 33 Changes in significant accounting policies and accounting estimates

#### (1) Description and reasons of changes in accounting policies

In 2022, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF:

- “Interpretation No. 15 of the Accounting Standards for Business Enterprises” (No. 35 [2021] of the Ministry of Finance) (“Interpretation No. 15”) “Accounting treatment for the sale of products or by-products produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process”;
- “Determining whether a contract is onerous” in CAS Bulletin No.15;
- 
- “Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer” in CAS Bulletin No.16 (Caikuai [2022] No.31); and
- “Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled” in CAS Bulletin No.16.
- 
- The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.
- 

## IV. Taxation

### 1 Main types of taxes and corresponding tax rates

Type of tax	Taxation basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	13%, 9%, 6% (China), 20% (France), 21% (Spain), 19% (Chile) and 10% (Australia)
Consumption tax	Based on taxable revenue	10% of the price, 20% of the price and RMB1,000 each ton (China)
Urban maintenance and construction tax	Based on VAT paid	7% (China)
Corporate income tax	Based on taxable profits	25% (China), 25% (France, 2022), 26.5% (France, 2021), 28% (Spain), 27% (Chile), 30% (Australia)

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2022 and 2021 are all stated as above.

### 2 Tax preferential treatments

Ningxia Changyu Grape Growing Co., Ltd. (“Ningxia Growing”), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Ningxia Huizu Autonomous

Region. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Ningxia Growing enjoys an exemption of corporate income tax.

Yantai Changyu Grape Growing Co., Ltd. ("Grape Growing"), a branch of the Company, whose principal activity is grape growing is incorporated in Zhifu District, Yantai City, Shandong Province. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Grape Growing enjoys an exemption of corporate income tax.

Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre"), a branch of the Company, is an enterprise engaged in grape growing in the Economic and Technological Development Zone of Yantai City, Shandong Province. Pursuant to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of the *Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China*, R&D Centre enjoys the preferential policy of exemption of enterprise income tax on income from grape growing.

Beijing Changyu AFIP Agriculture Development Co., Ltd. ("Agriculture Development"), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Miyun, Beijing. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Agriculture Development enjoys an exemption of corporate income tax.

Xinjiang Tianzhu Wine Co., Ltd. ("Xinjiang Tianzhu"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Ningxia Chateau Changyu Moser is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Ningxia Chateau Changyu Moser is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

Ningxia Changyu Longyu Chateau Co., Ltd. ("Ningxia Chateau"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Yinchuan, Ningxia Hui Autonomous Region. In accordance with the Notice on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Notice of the Ministry of Finance [2020] No. 23), Ningxia Chateau is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2021 to 2030.

Changyu (Ningxia) Wine Co., Ltd. ("Ningxia Wine"), a subsidiary of the Company, is an enterprise engaged in wine production and sales, incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region

(Announcement [2020] No.23 of the Ministry of Finance), Changyu (Ningxia) Wine is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Further Implementation of Preferential Enterprise Income Tax Policies for Small and Micro Enterprises (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 13), for the annual taxable income of small-scale and low-profit enterprises exceeding RMB 1 million, but is not more than RMB 3 million, the amount of taxable income shall be reduced by 25%, and the applicable rate of corporate income tax shall be 20%. Beijing Changyu Wine Sales Co., Ltd. ("Beijing Sales") is recognised as qualified small-scale and low-profit enterprises

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Value-Added Tax for Small-Scale Value-Added Tax Taxpayers (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 15), from 1 April 2022 to 31 December 2022, VAT small-scale taxpayers with tax rate of 3% of taxable sales revenue should be exempted from VAT. Xinjiang Changyu Wine Sales Co., Ltd., a subsidiary of the Company, is qualified to enjoy the exemption.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Further Stepping up the Implementation of the Policy for the Refund of Term-End Excess Input Value-Added Tax Credits (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 14), the government should further step up the implementation of the policy for the refund of term-end excess input value-added tax credits and expand the scope of industries applicable to this policy. The Company and its qualified subsidiaries have enjoyed this policy.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Further Implementation of Reduction and Exemption in Six Taxes and Two Fees for Small-Scale and Micro Enterprises (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 10), from 1 January 2022 to 31 December 2024, People's Governments of all provinces, autonomous regions and municipalities can reduce the resource tax, urban maintenance and construction tax, property tax, Urban and township land use tax, stamp duty (excluding stamp duty on securities transaction), farmland occupation tax, education surcharges, and local education surcharges within a 50% tax range for small-scale VAT taxpayers, small-scale and low-profit enterprises, and individually-owned businesses based on the actual situation in the region. Shandong, Xinjiang, Ningxia, Shaanxi, and other provinces (regions, cities) are all subject to a 50% reduction in "six taxes and two fees", and some subsidiaries of the Company are qualified to enjoy the tax reduction.

In accordance with the Notice of the Shaanxi Provincial Department of Finance and Shaanxi Provincial Office of the State Administration of Taxation on the Issues Concerning the Reduction and Exemption for Taxpayers Having Difficulties in Payment of Urban and Township Land Use Tax and Property Tax (Shaan Cai Shui [2022] No. 6), for taxpayers whose sales in the first quarter of 2022 have decreased by more than 30% year-on-year or quarter-on-quarter and who have difficulties in paying urban and township land use tax and property tax, finance and taxation authorities should approve their applications for reduction and exemption. Shaanxi Changyu Rena Chateau Co., Ltd. and Changyu (Jingyang) Wine Co., Ltd., subsidiaries of the Company, meet the application requirements and can be exempted from the first quarter property tax and urban and township land use tax in 2022.

## V. Notes to the consolidated financial statements

## 1 Cash at bank and on hand

<i>Item</i>	2022	2021
Cash on hand	47,954	71,486
Bank deposits	1,643,577,420	1,558,134,072
Other monetary funds	7,828,741	8,890,435
Total	1,651,454,115	1,567,095,993
Including: Total overseas deposits	17,073,210	28,691,521

As at 31 December 2022, the balance of restricted cash of the Group is as follows:

<i>Item</i>	2022	2021
House maintenance funds	2,671,774	2,678,529

As at 31 December 2022, the Group's term deposits with previous maturity of more than three months is RMB 28,200,000 with interest rate 2.025%-2.25% (31 December 2021: RMB53,200,000).

As at 31 December 2022, the Group's other monetary assets is as follows:

<i>Item</i>	2022	2021
Deposits for letters of credit	6,000,000	7,900,850
Alipay account balance	1,695,245	859,558
Deposit for ICBC platform	10,000	10,000
Deposits for the customs	123,496	120,027
Total	7,828,741	8,890,435

As at 31 December 2022, the Group did not have any special interest arrangements such as the establishment of joint fund management accounts with related parties.

## 2 Bills receivable

Classification of bills receivable

<i>Item</i>	2022	2021
Bank acceptance bills	2,712,460	42,827,666
Total	2,712,460	42,827,666

All of the above bills are due within one year.

## 3 Accounts receivable

## (1) Accounts receivable by customer type are as follows:

<i>Type</i>	31 December 2022	31 December 2021
Amounts due from related parties	2,827,473	287,788
Amounts due from other customers	355,711,618	310,982,372
Sub-total	358,539,091	311,270,160
Less: Provision for bad and doubtful debts	(14,556,106)	(20,263,750)
Total	343,982,985	291,006,410

As at 31 December 2022, ownership restricted accounts receivable is RMB59,982,807 (31 December 2021: RMB49,061,015), referring to Note V. 52.

(2) The ageing analysis of accounts receivable is as follows:

<i>Ageing</i>	<i>2022</i>	<i>2021</i>
Within 1 year (inclusive)	356,064,300	302,602,474
Over 1 year but within 2 years (inclusive)	2,085,677	6,450,290
Over 2 years but within 3 years (inclusive)	152,254	1,830,913
Over 3 years	236,860	386,483
Sub-total	358,539,091	311,270,160
Less: Provision for bad and doubtful debts	(14,556,106)	(20,263,750)
Total	343,982,985	291,006,410

The ageing is counted starting from the date when accounts receivable are recognised.

## (3) Accounts receivable by provisioning method

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

2022

	<i>Loss given default</i>	<i>Carrying amount at the end of the year</i>	<i>Impairment loss at the end of the year</i>
Current	0.3%	320,680,504	987,421
Overdue for 1 to 30 days	4.6%	14,539,415	670,713
Overdue for 31 to 60 days	12.1%	5,412,870	654,202
Overdue for 61 to 90 days	22.9%	1,755,591	401,918
Overdue for 91 to 120 days	25.5%	852,924	217,910
Overdue for 121 to 150 days	32.3%	3,243,366	1,047,097
Overdue for 151 to 180 days	40.0%	469,054	187,704
Overdue for 181 to 210 days	42.0%	217,218	91,181
Overdue for 211 to 240 days	44.4%	636,479	282,588
Overdue for 241 to 270 days	51.7%	654,567	338,403
Overdue for 271 to 300 days	71.0%	1,058,407	751,067
Overdue for 301 to 330 days	87.7%	753,174	660,380
Overdue for 331 to 360 days	100.0%	15,263	15,263
Overdue for 360 days	100.0%	8,250,259	8,250,259
Total	4.1%	358,539,091	14,556,106

2021

	<i>Loss given default</i>	<i>Carrying amount at the end of the year</i>	<i>Impairment loss at the end of the year</i>
Current	0.4%	266,055,047	951,403
Overdue for 1 to 30 days	3.3%	13,013,133	434,869
Overdue for 31 to 60 days	10.9%	8,115,584	886,023
Overdue for 61 to 90 days	23.9%	2,554,438	610,844
Overdue for 91 to 120 days	28.9%	531,696	153,780
Overdue for 121 to 150 days	40.0%	627,641	251,314
Overdue for 151 to 180 days	41.8%	1,670,068	698,131
Overdue for 181 to 210 days	50.0%	1,129,949	565,460
Overdue for 211 to 240 days	65.6%	1,415,345	928,263
Overdue for 241 to 270 days	65.7%	3,439,721	2,261,159
Overdue for 271 to 300 days	85.4%	1,340,055	1,145,021
Overdue for 301 to 330 days	100.0%	638,848	638,848
Overdue for 331 to 360 days	100.0%	244,178	244,178
Overdue for 360 days	100.0%	10,494,457	10,494,457
Total	6.5%	311,270,160	20,263,750

The loss given default is measured based on the actual credit loss experience in the past 12 months, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

## (4) Movements of provisions for bad and doubtful debts:

	2022	2021
Balance at the beginning of the year after	(20,263,750)	(12,326,606)
Charge for the year	(15,084,381)	(17,855,222)
Recoveries or reversals during the year	19,837,178	9,918,078
Transfers out during the year	954,847	-
Balance at the end of the year	(14,556,106)	(20,263,750)

## (5) Five largest accounts receivable by debtor at the end of the year:

Name	Relationship with the Group	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Debtor One	Third party	149,053,783	Within 1 year	41.6%	458,958
Debtor Two	Third party	6,835,106	Within 1 year	1.9%	385,547
Debtor Three	Third party	6,816,495	Within 1 year	1.9%	384,497
Debtor Four	Third party	6,193,118	Within 1 year	1.7%	349,334
Debtor Five	Third party	6,070,804	Within 1 year	1.7%	18,693
Total		174,969,306		48.8%	1,597,029

## 4 Receivables under financing

Item	Note	2022	2021
Bills receivable	(1)	309,329,918	364,457,497

(1) As at 31 December 2022, there was no pledged bills receivable (31 December 2021: Nil).

(2) Outstanding endorsed or discounted bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	500,480,279
Total	500,480,279

As at 31 December 2022, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB 500,480,279 (31 December 2021: RMB 449,373,119). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

## 5 Prepayments

## (1) Prepayments by category:

<i>Item</i>	2022	2021
Prepayments	60,415,508	75,235,879
Total	60,415,508	75,235,879

## (2) The ageing analysis of prepayments is as follows:

<i>Ageing</i>	2022		2021	
	<i>Amount</i>	<i>Percentage (%)</i>	<i>Amount</i>	<i>Percentage (%)</i>
Within 1 year (inclusive)	59,426,080	98.4%	75,207,094	99.9%
Over 1 year but within 2 years (inclusive)	989,428	1.6%	28,785	0.1%
Total	60,415,508	100.0%	75,235,879	100.0%

The ageing is counted starting from the date when prepayments are recognised.

## (3) Five largest prepayments by debtor at the end of the year:

<i>Name</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Debtor One	Prepayments	12,123,832	Within 1 year	20.1%	-
Debtor Two	Prepayments	9,768,618	Within 1 year	16.2%	-
Debtor Three	Prepayments	8,796,180	Within 1 year	14.6%	-
Debtor Four	Prepayments	3,441,960	Within 1 year	5.7%	-
Debtor Five	Prepayments	1,350,000	Within 1 year	2.2%	-
Total		35,480,590		58.8%	-

## 6 Other receivables

	31 December 2022	31 December 2021
Others	70,542,398	30,125,270
Total	70,542,398	30,125,270

## (1) Interest receivable

## (a) Others by customer type:

<i>Customer type</i>	31 December 2022	31 December 2021
Amounts due from related parties	-	341,880
Amounts due from other companies	70,542,398	29,783,390
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

(b) The ageing analysis is as follows:

<i>Ageing</i>	2022	2021
Within 1 year (inclusive)	67,221,713	27,191,986
Over 1 year but within 2 years (inclusive)	1,208,361	70,480
Over 2 years but within 3 years (inclusive)	57,928	190,857
Over 3 years	2,054,396	2,671,947
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

The ageing is counted starting from the date when other receivables are recognised.

(c) Movements of provisions for bad and doubtful debts

As at 31 December 2022, no bad and doubtful debt provision was made for other receivables (31 December 2021: Nil).

As at 31 December 2022, the Group has no other receivables written off (31 December 2021: Nil).

(d) Others categorised by nature

<i>Nature of other receivables</i>	2022	2021
Land purchases and reserves receivable	41,268,902	11,550,000
Refund of consumption tax and VAT	12,509,201	7,204,557
Deposit	5,578,001	4,568,157
Petty cash receivable	440,759	252,481
Others	10,745,535	6,550,075
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

(e) Five largest others-by debtor at the end of the year

<i>Name</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Debtor One	Land purchases and reserves receivable	41,268,902	Within 1 year	58.5%	-
Debtor Two	Refund of VAT	10,927,015	Within 1 year	15.5%	-
Debtor Three	Deposits	2,002,000	Within 1 year	2.8%	-
Debtor Four	Refund of VAT	1,582,186	Within 1 year	2.2%	-
Debtor Five	Advance items	1,452,991	Within 1 year	2.1%	-
Total		57,233,094		81.1%	-

## 7 Inventories

## (1) Inventories by category:

Item	2022			2021		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	258,200,178	-	258,200,178	245,114,403	-	245,114,403
Work in progress	1,986,391,270	-	1,986,391,270	1,937,081,109	-	1,937,081,109
Finished goods	673,171,026	(14,363,959)	658,807,067	634,212,222	(13,785,214)	620,427,008
Total	2,917,762,474	(14,363,959)	2,903,398,515	2,816,407,734	(13,785,214)	2,802,622,520

## (2) Provision for impairment of inventories:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
		Recognised	Reversal	
Finished goods	13,785,214	14,363,959	(13,785,214)	14,363,959

## 8 Other current assets

Item	2022	2021
Royalty (Note V. 19)	120,930,641	-
Input tax to be credited	44,270,238	198,516,812
Prepaid income taxes	19,102,111	16,697,663
Deferred expenses	1,034,403	1,938,126
Total	185,337,393	217,152,601

## 9 Long-term equity investments

## (1) Long-term equity investments by category:

Item	2022	2021
Investments in joint ventures	37,970,535	39,652,834
Investments in associates	3,400,850	6,843,676
Sub-total	41,371,385	46,496,510
Less: Provision for impairment	-	-
Total	41,371,385	46,496,510

## (2) Movements of long-term equity investments during the year are as follows:

Investee	2022 Balance at the beginning of the year	Movements during the year			2022 Closing balance	Shareholding percentage
		Increase in capital	Decrease in capital	Losses from investments under equity-method		
Joint ventures						
SAS L&M Holdings ("L&M Holdings")	39,652,834	-	-	(1,682,299)	37,970,535	55%
Associates						
WEMISS (Shanghai) Enterprise Development Co., Ltd ("WEMISS Shanghai")	2,366,811	-	-	(48,460)	2,318,351	30%
Yantai Santai Real Estate Development Co., Ltd.(Note1)	3,519,656	-	(3,519,656)	-	-	35%
Chengdu Yufeng Brand Management Co., Ltd. (Note2)	481,472	-	-	(61,103)	420,369	10%
Yantai Guolong Wine Industry Co., Ltd. (Note2)	475,737	-	-	186,393	662,130	10%
Sub-total	6,843,676	-	(3,519,656)	76,830	3,400,850	
Total	46,496,510	-	(3,519,656)	(1,605,469)	41,371,385	

Note 1: In April 2022, the Board of Directors of the Company resolved to agree the liquidation of Yantai Santai Real Estate Development Co., Ltd. ("Santai Real Estate"). In May 2022, Yantai Santai Real Estate Development Co., Ltd. held a shareholders' general meeting, the Company and Shandong Greentown Investment Property Co., Ltd. and China Continents and Oceans Construction Co., Ltd. have reach agreement on the liquidation of Yantai Santai Real Estate Development Co., Ltd. Santai Real Estate has completed the deregistration procedures in August 2022. After the liquidation, the Company recovered RMB 1,677,331 in total, resulting in investment losses of RMB 1,842,325.

Note 2: The Group has appointed one director to each of these investees.

## 10 Investment properties

	<i>Buildings and plants</i>
Cost	
Balance as at 31 December 2021 and 31 December 2022	70,954,045
Accumulated depreciation	
31 December 2021	(46,451,787)
Charge for the year	(2,386,940)
31 December 2022	(48,838,727)
Carrying amount	
31 December 2022	22,115,318
31 December 2021	24,502,258

## 11 Fixed assets

## (1) Fixed assets

<i>Item</i>	<i>Plant &amp; buildings</i>	<i>Machinery &amp; equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost				
31 December 2021	5,294,917,836	2,820,909,563	27,181,876	8,143,009,275
Additions during the year				
- Purchases	19,223,038	62,551,100	1,423,629	83,197,767
- Transfers from construction in progress	608,452,694	4,638,003	-	613,090,697
Disposals or written-offs during the year	(44,394,513)	(94,370,491)	(2,716,953)	(141,481,957)
31 December 2022	5,878,199,055	2,793,728,175	25,888,552	8,697,815,782
Accumulated depreciation				
31 December 2021	(1,017,892,171)	(1,397,163,895)	(22,607,868)	(2,437,663,934)
Charge for the year	(157,770,688)	(151,791,806)	(2,088,585)	(311,651,079)
Disposals or written-offs during the year	8,567,494	71,691,834	2,063,424	82,322,752
31 December 2022	(1,167,095,365)	(1,477,263,867)	(22,633,029)	(2,666,992,261)
Provision for impairment				
31 December 2021	-	(17,478,027)	-	(17,478,027)
Reversal during the year	-	14,792,478	-	14,792,478
31 December 2022	-	(2,685,549)	-	(2,685,549)
Carrying amount				
31 December 2022	4,711,103,690	1,313,778,759	3,255,523	6,028,137,972
31 December 2021	4,277,025,665	1,406,267,641	4,574,008	5,687,867,314

As at 31 December 2022, ownership restricted net value of fixed assets is RMB303,897,124 (31 December 2021: RMB313,012,605), referring to Note V. 52.

## (2) Fixed assets leased out under operating leases

<i>Item</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Buildings	24,150,108	(11,271,447)	-	12,878,661
Machinery equipment	19,121,524	(16,384,009)	(2,685,549)	51,966
Motor vehicles	3,213,054	(3,060,512)	-	152,542
Total	46,484,686	(30,715,968)	(2,685,549)	13,083,169

## (3) Fixed assets leased out under operating leases

<i>Item</i>	<i>Carrying amount at the end of the year</i>
Machinery equipment	4,365

## (4) Fixed assets pending certificates of ownership

<i>Item</i>	<i>Carrying amount</i>	<i>Reason why the certificates are pending</i>
Dormitories, main building and reception building of Changan Chateau	268,686,071	Processing
Buildings and boiler houses of KOYA Brand	173,899,231	Processing
European town, main building and service building of AFIP	164,540,005	Processing
Office and packaging shop of Golden Icewine Valley	9,436,822	Processing
Fermentation shop of Zhangyu (Jingyang)	4,698,998	Processing
Office, experiment building and workshop of Fermentation Centre	3,147,779	Processing
Finished goods warehouse and workshop of Kylin Packaging	2,034,138	Processing
Others	276,938	Processing

The buildings without property certificate above have no significant impact on the Group's management.

## 12 Construction in progress

## (1) Construction in progress

<i>Project</i>	<i>2022</i>			<i>2021</i>		
	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Museum construction project	32,981,419	-	32,981,419	37,093	-	37,093
Shihezi Chateau Construction Project	7,065,744	-	7,065,744	1,028,512	-	1,028,512
Ningxia Chateau Construction Project	-	-	-	2,835,598	-	2,835,598
Changan Chateau Construction Project	-	-	-	1,245,742	-	1,245,742
R&D Centre ("Changyu Wine Complex") Project	-	-	-	577,328,351	-	577,328,351
Other Companies' Construction Project	886,998	-	886,998	7,696,803	-	7,696,803
<b>Total</b>	<b>40,934,161</b>	<b>-</b>	<b>40,934,161</b>	<b>590,172,099</b>	<b>-</b>	<b>590,172,099</b>

## (2) Movements of major construction projects in progress during the year

<i>Item</i>	<i>Budget (RMB million)</i>	<i>Opening balance</i>	<i>Additions during the year</i>	<i>Transfers to fixed assets</i>	<i>Other transfers out</i>	<i>Closing balance</i>	<i>Percentage of actual cost to budget (%)</i>	<i>Accumulated capitalised interest</i>	<i>Attributable to: Interest capitalised for the year</i>	<i>Interest rate for capitalisation in 2022 (%)</i>	<i>Sources of funding</i>
Museum construction project	51	37,093	32,944,326	-	-	32,981,419	65	-	-	-	Self-raised
Shihezi Chateau Construction Project	780	1,028,512	6,037,232	-	-	7,065,744	97	-	-	-	Self-raised
Ningxia Chateau Construction Project	428	2,835,598	1,363,790	(4,199,388)	-	-	100	-	-	-	Self-raised
Changan Chateau Construction Project	698	1,245,742	718,344	(1,964,086)	-	-	100	-	-	-	Self-raised
Changyu Wine Complex	3,740	577,328,351	39,794,848	(606,407,063)	(10,716,136)	-	100%	17,155,308	-	-	Loans from financial institutions and self-raised

## 13 Bearer biological assets

Bearer biological assets are vines, which measured in cost method.

<i>Item</i>	<i>Immature biological assets</i>	<i>Mature biological assets</i>	<i>Total</i>
Original book value			
31 December 2021	17,909,982	252,353,951	270,263,933
Additions during the year			
- Increase in cultivated	5,730,348	8,750	5,739,098
- Transferred to mature	(121,173)	121,173	-
Decrease during the year	(113,600)	(12,500)	(126,100)
31 December 2022	23,405,557	252,471,374	275,876,931
Accumulated amortisation			
31 December 2021	-	(76,550,991)	(76,550,991)
Charge for the year	-	(14,911,694)	(14,911,694)
Decrease during the year	-	6,495	6,495
31 December 2022	-	(91,456,190)	(91,456,190)
Carrying amount			
31 December 2022	23,405,557	161,015,184	184,420,741
31 December 2021	17,909,982	175,802,960	193,712,942

As at 31 December 2022, there is no biological asset with ownership restricted (31 December 2021: Nil).

As at 31 December 2022, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2021: Nil).

## 14 Leases

## (1) As a lessee

## Right-of-use assets

<i>Item</i>	<i>Plant&amp;buildings</i>	<i>Lands</i>	<i>Others</i>	<i>Total</i>
Cost				
Balance at the beginning of the year	57,368,820	137,980,409	1,697,986	197,047,215
Additions during the year	27,449,712	-	-	27,449,712
Balance at the end of the year	84,818,532	137,980,409	1,697,986	224,496,927
Accumulated depreciation				
Balance at the beginning of the year	(17,898,529)	(43,900,453)	(679,194)	(62,478,176)
Charge for the year	(16,025,426)	(5,766,568)	(339,598)	(22,131,592)
Balance at the end of the year	(33,923,955)	(49,667,021)	(1,018,792)	(84,609,768)
Carrying amounts				
At the end of the year	50,894,577	88,313,388	679,194	139,887,159
At the beginning of the year	39,470,291	94,079,956	1,018,792	134,569,039

## Lease liabilities

<i>Item</i>	<i>Note</i>	<i>31 December 2022</i>	<i>1 January 2022</i>
Long-term lease liabilities		128,514,033	116,156,677
Less: lease liabilities due within one year	V,27	19,008,940	14,345,089
Total		109,505,093	101,811,588

## (2) As a lessor

## Operating lease

<i>Item</i>	<i>2022</i>	<i>2021</i>
Lease income	2,341,226	2,015,486

## 15 Intangible assets

<i>Item</i>	<i>Land use rights</i>	<i>Software licenses</i>	<i>Trademarks</i>	<i>Total</i>
Original book value				
31 December 2021	500,566,714	100,664,699	189,491,618	790,723,031
Additions during the year				
- Purchase	-	1,314,730	83,450	1,398,180
Decrease during the year				
- Disposals	(24,795,833)	-	-	(24,795,833)
31 December 2022	475,770,881	101,979,429	189,575,068	767,325,378
Accumulated amortisation				
31 December 2021	(104,622,145)	(53,525,938)	(14,708,069)	(172,856,152)
Additions during the year				
- Charge for the year	(15,613,814)	(9,309,645)	(842,812)	(25,766,271)
Decrease during the year				
- Disposal	9,537,891	-	-	9,537,891
31 December 2022	(110,698,068)	(62,835,583)	(15,550,881)	(189,084,532)
Carrying amount				
31 December 2022	365,072,813	39,143,846	174,024,187	578,240,846
31 December 2021	395,944,569	47,138,761	174,783,549	617,866,879

As at 31 December 2022, the Group has land use right with infinite useful lives of RMB32,376,235 (31 December 2021: RMB32,640,119), representing the freehold land held by Chile Indomita Wine Group and Australia Kilikanoon Estate under relevant Chile and Australia laws, on which the amortisation is not required.

As at 31 December 2022, the Group has trademark with infinite useful lives of RMB155,345,421 (31 December 2021: RMB155,355,846), which is held by Chile Indomita Wine Group and Australia Kilikanoon Estate. The recoverable amount of the trademark is determined according to the present value of the expected future cash flows generated from the asset group to which the single assets of trademark right belongs. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rates used in the cash flow projections are 13.0% and 14.1%, respectively. A key assumption in the estimate of future cash flows is the revenue growth rate in the projecting period. Such revenue growth rate is determined based on the industry and the expected growth rate of Chile Indomita Wine Group and Australia Kilikanoon Estate.

The Group recognises the trademark with infinite useful lives as intangible assets, the impairment assessment of which is made at the end of each reporting year. The management believes that any reasonable change of the above assumptions will not result in the total book value of the asset group to which the single assets of trademark right belongs exceeding its recoverable amount.

According to the result of impairment assessment, by the end of 31 December 2022, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2022, ownership restricted net value of intangible assets is RMB 169,385,254 (31 December 2021: RMB201,345,477), referring to Note V. 52.

## 16 Goodwill

### (1) Changes in goodwill

<i>Name of investee or events from which goodwill arose</i>	<i>Note</i>	<i>31 December 2021</i>	<i>Additions during the year</i>	<i>Disposals during the year</i>	<i>31 December 2022</i>
Original book value					
Etablissements Roulet Fransac ("Roulet Fransac")	(a)	13,112,525	-	-	13,112,525
Dicot Partners, S.L ("Dicot")	(a)	92,391,901	-	-	92,391,901
Chile Indomita Wine Group	(a)	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	(a)	37,063,130	-	-	37,063,130
Sub-total		149,437,671	-	-	149,437,671
Impairment provision					
Chile Indomita Wine Group		(37,063,130)	-	-	(37,063,130)
Dicot Partners, S.L ("Dicot")		-	(5,210,925)	-	(5,210,925)
Sub-total		(37,063,130)	(5,210,925)	-	(42,274,055)
Carrying amount		112,374,541	(5,210,925)	-	107,163,616

(a) The Group acquired Fransac Sales, Dicot and Mirefleurs, Chile Indomita Wine Group and Australia Kilikanoon Estate in December 2013, September 2015, July 2017 and January 2018 respectively, resulting in respective goodwill amounting to RMB13,112,525, RMB92,391,901, RMB 6,870,115 and RMB37,063,130. The goodwill had been allocated to corresponding asset groups for impairment testing.

### (2) Provision for impairment of goodwill

The Group has allocated the above goodwill to relevant asset groups for impairment testing.

As at 31 December 2022, Australia Kilikanoon Estate has made full provision for impairment of goodwill and Atrio has made provision for impairment amounted to RMB 5,210,925 for the current period.

The recoverable amount of the asset group is determined according to the present value of the expected future cash flows. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rate used in calculating the recoverable amounts of Roulet Fransac, Dicot, and Mirefleurs, Indomita Wine are 11.4%, 11.8%, and 13.0%, respectively (2021: 12.1%, 11.2%, and 11.0%). The key assumption is the growth rate of annual revenue growth rate of relevant subsidiaries, which is computed based on the expected growth rate of each subsidiary and long-term average growth rates of relevant industries. Other relevant key assumption is budget gross profit margin, which is determined based on the historical

performance of each subsidiary and its expectations for market development. According to the results of the impairment test, the Group found that the recoverable amount of the asset group including goodwill of Dicot Partners, S.L is lower than its book value. Therefore, on 31 December 2022, the provision for impairment of goodwill of this year was RMB 5,210,925. The impairment loss amounting to RMB5,210,925 was recognised in asset impairment loss in 2022.

## 17 Long-term deferred expenses

<i>Item</i>	<i>31 December 2021</i>	<i>Additions during the year</i>	<i>Amortisation for the year</i>	<i>31 December 2022</i>
Land requisition fee	46,822,724	-	(1,778,943)	45,043,781
Greening fee	127,686,106	-	(8,690,102)	118,996,004
Leasehold improvement	104,279,631	7,864,611	(8,248,878)	103,895,364
Others	5,804,702	1,582,204	(622,823)	6,764,083
Total	284,593,163	9,446,815	(19,340,746)	274,699,232

## 18 Deferred tax assets and deferred tax liabilities

### (1) Deferred tax assets and liabilities

<i>Item</i>	<i>31 December 2022</i>		<i>31 December 2021</i>	
	<i>Deductible or taxable temporary differences</i>	<i>Deferred tax assets/(liabilities)</i>	<i>Deductible or taxable temporary differences</i>	<i>Deferred tax assets/(liabilities)</i>
Deferred tax assets:				
Provision for impairment of assets	31,605,614	8,024,903	51,526,991	11,522,575
Unrealised profits of intra-group transactions	431,328,252	107,832,063	481,484,528	120,371,131
Unpaid bonus	132,673,269	33,168,317	150,325,085	37,581,271
Termination benefits	9,422,154	2,355,538	14,132,191	3,533,048
Deductible tax losses	285,560,642	67,483,931	266,833,106	63,160,456
Deferred income	38,389,058	8,288,411	41,295,338	8,642,716
Others	837,972	209,493	1,598,132	399,534
Sub-total	929,816,961	227,362,656	1,007,195,371	245,210,731
Deferred tax liabilities:				
Revaluation due to business combinations involving entities not under common control	43,651,105	10,577,065	46,411,478	11,300,970
Others	2,759,468	689,867	2,012,000	503,000
Sub-total	46,410,573	11,266,932	48,423,478	11,803,970

## (2) Details of unrecognised deferred tax assets

<i>Item</i>	2022	2021
Deductible tax losses	352,775,161	234,250,359

## (3) Expiration of deductible tax losses for unrecognised deferred tax assets

<i>Year</i>	2022	2021
2022	-	21,367,869
2023	22,801,737	22,801,737
2024	42,088,453	42,088,453
2025	75,724,538	75,794,409
2026	72,197,891	72,197,891
2027	139,962,542	-
Total	352,775,161	234,250,359

## 19 Other non-current assets

<i>Item</i>	2022	2021
Royalty	-	144,120,442

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Group may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group. The license is effective until the expiry of the registration of the trademarks.

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615 (including tax).

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group's contract products using this trademark. The article is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022. If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs. As the amount is a long-term prepayment, the Company recognises the amount as other non-current assets and meanwhile offset the sales fee, i.e. royalty.

The Group's royalty in 2022 was RMB 23,189,801 (VAT included). When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB 120,930,641. Classified it to other current assets on 31 December 2022.

## 20 Short-term loans

Short-term loans by category:

<i>Item</i>	2022	2021
Unsecured loans	227,866,802	478,331,156
Mortgaged loans	127,908,137	118,469,193
Guaranteed loans	33,603,541	25,266,108
Total	389,378,480	622,066,457

As at 31 December 2022, details of short-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year
			RMB			%
Credit loans (RMB)	200,000,000	1.0000	200,000,000	Floating	1 Year LPR - 0.5%	3.20%
Credit loans (USD)	4,000,000	6.9646	27,866,802	Fixed	4.15% - 5.95%	4.15% - 5.95%
Mortgaged loans (EUR)	8,080,778	7.4229	59,982,807	Fixed	0.65% - 1.60%	0.65% - 1.60%
Mortgaged loans (USD)	9,750,000	6.9646	67,925,330	Fixed	4.15% - 6.76%	4.15% - 6.76%
Guaranteed loans (AUD)	7,128,758	4.7138	33,603,541	Floating	1.81% - 2.54%	1.81% - 2.54%
Total			389,378,480			

- As at 31 December 2022, mortgaged loans (EUR) were Hacienda y Viñedos Marques del Atrio, S.L.U ("Atrio") factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR8,080,778 (equivalent of RMB59,982,807) (31 December 2021: EUR6,795,437, equivalent of RMB49,061,015).
- On 31 December 2022, Chile Indomita Wine Group pledged its fixed assets to Banco Scotiabank to borrow USD9,750,000 (equivalent to RMB67,925,330) (31 December 2021: USD11,000,000, equivalent to RMB69,408,178).
- On 31 December 2022, the secured loan represented the secured loan of Australia Kilikanoon Estate of AUD7,128,758 (equivalent to RMB33,603,541) (31 December 2021: AUD5,466,488, equivalent to RMB25,266,108).

## 21 Accounts payable

<i>Ageing</i>	2022	2021
Within 1 year (inclusive)	466,035,065	486,006,974
Over 1 year but within 2 years (inclusive)	34,588,275	4,435,786
Over 2 years but within 3 years (inclusive)	1,637,390	1,405,133
Over 3 years	1,063,016	1,605,923
Total	503,323,746	493,453,816

Significant accounts payable with ageing of more than one year:

<i>Item</i>	<i>Balance at the end of the year</i>	<i>Reason for no repayment</i>
Entity 1	19,434,600	Payable to parent company
Entity 2	13,185,095	Credit period of more than 1 year from overseas original wine suppliers
<b>Total</b>	<b>32,619,695</b>	

## 22 Contract liabilities

<i>Item</i>	<i>As at 31 December 2022</i>	<i>As at 1 January 2022</i>
Receipt in advance	164,437,033	144,013,594
Withholding sales rebates	1,290,958	3,107,122
<b>Total</b>	<b>165,727,991</b>	<b>147,120,716</b>

Contract liabilities primarily relate to the Group's advances from sales contracts of specific customers and the withholding sales rebates. Relevant contract liabilities are recognised as revenue when the control of the goods is transferred to the customer.

## 23 Employee benefits payable

### (1) Employee benefits payable:

	<i>Note</i>	<i>31 December 2021</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>31 December 2022</i>
Short-term employee benefits	(2)	180,557,897	443,469,022	(450,829,428)	173,197,491
Post-employment benefits - defined contribution plans	(3)	329,353	36,634,508	(36,631,968)	331,893
Termination benefits		14,132,191	1,418,109	(6,128,146)	9,422,154
<b>Total</b>		<b>195,019,441</b>	<b>481,521,639</b>	<b>(493,589,542)</b>	<b>182,951,538</b>

### (2) Short-term employee benefits

	<i>31 December 2021</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>31 December 2022</i>
Salaries, bonuses, allowances	178,842,535	392,427,646	(401,626,779)	169,643,402
Staff welfare	1,640,965	17,421,550	(17,602,345)	1,460,170
Social insurance	303,836	16,415,455	(16,412,047)	307,244
Medical insurance	303,836	14,763,764	(14,760,356)	307,244
Work-related injury insurance	-	1,632,827	(1,632,827)	-
Maternity insurance	-	18,864	(18,864)	-
Housing fund	38,582	12,431,795	(12,431,795)	38,582
Labour union fee, staff and workers' education fee	1,851,650	4,772,576	(4,876,133)	1,748,093
<b>Sub-total</b>	<b>182,677,568</b>	<b>443,469,022</b>	<b>(452,949,099)</b>	<b>173,197,491</b>
Less: Non-current liabilities	2,119,671	-	(2,119,671)	-

Total	180,557,897	443,469,022	(450,829,428)	173,197,491
-------	-------------	-------------	---------------	-------------

## (3) Post-employment benefits - defined contribution plans

	31 December 2021	Additions during the year	Decrease during the year	31 December 2022
Basic pension insurance	328,120	35,439,551	(35,437,011)	330,660
Unemployment insurance	1,233	1,194,957	(1,194,957)	1,233
Total	329,353	36,634,508	(36,631,968)	331,893

## 24 Taxes payable

Item	2022	2021
Value-added tax	42,260,465	54,103,944
Consumption tax	45,524,174	70,563,701
Corporate income tax	131,264,991	194,566,746
Individual income tax	1,199,990	872,252
Tax on the use of urban land	1,899,840	2,441,121
Education surcharges	2,731,857	5,199,891
Urban maintenance and construction tax	6,168,990	7,128,647
Others	8,645,595	7,445,998
Total	239,695,902	342,322,300

## 25 Other payables

	Note	31 December 2022	31 December 2021
Interest payable		88,889	323,074
Dividends payable		70,317	68,392
Others	(1)	372,449,483	452,642,025
Total		372,608,689	453,033,491

## (1) Others

(a) Details of others by nature are as follows:

Item	2022	2021
Deposit payable to dealer	207,492,570	241,414,134
Advertising fee payable	40,244,601	41,264,460
Equipment and construction fee payable	15,976,573	44,345,312
Freight charges payable	25,894,816	29,192,798
Deposits due to suppliers	13,549,010	12,966,789
Contracting fee payable	7,407,093	8,668,872
Staff deposit	508,175	743,460
Others	61,376,645	74,046,200
Total	372,449,483	452,642,025

(b) There are no significant others aged over one year accrued this year.

## 26 Other current liabilities

<i>Item</i>	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>
Tax to be transferred out as sales	18,945,706	18,374,193
<b>Total</b>	<b>18,945,706</b>	<b>18,374,193</b>

## 27 Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

<i>Item</i>	<i>2022</i>	<i>2021</i>
Long-term loans due within one year	103,011,894	74,520,037
Long-term payables due within one year	22,000,000	22,000,000
Long-term lease liabilities due within one year	19,008,940	14,345,089
<b>Total</b>	<b>144,020,834</b>	<b>110,865,126</b>

## 28 Long-term loans

Long-term loans by category

<i>Item</i>	<i>2022</i>	<i>2021</i>
Credit loans	186,342,909	193,475,080
Guaranteed loans	44,781,100	57,092,000
Less: Long-term loans due within one year	103,011,894	74,520,037
<b>Total</b>	<b>128,112,115</b>	<b>176,047,043</b>

As at 31 December 2022, details of long-term borrowings were as follows:

	<i>Amount</i>	<i>Exchange rate</i>	<i>Amount RMB</i>	<i>Nature of interest rate</i>	<i>Interest rate %</i>	<i>Interest rate at the end of the year %</i>	<i>Long-term loans due within one year</i>	<i>Long-term loans due after one year</i>
Guaranteed loans (RMB)	405,667	7.4229	3,011,228	Floating	2.85%-3.35%	-	3,011,228	
Guaranteed loans (AUD)	9,500,000	4.7138	44,781,100	Floating	BBSY+1.10%	-	44,781,100	
<b>Total</b>			<b>231,124,009</b>			<b>103,011,894</b>	<b>128,112,115</b>	

As at 31 December 2022, Credit loans (EUR) were EUR 25,103,788 borrowed by Banco Sabadell, Bankia, Banco Santander, BBVA, Caja Rural de Navarr etc. (equivalent of RMB186,342,909 (31 December 2021: EUR26,798,216, equivalent of RMB193,475,080). Australia Kilikanoon Estate has borrowed AUD9,500,000 (equivalent of RMB44,781,100) (31 December 2021: AUD11,000,000, equivalent of RMB50,842,000) from ANZ Bank and it was guaranteed by the Company.

## 29 Long-term payables

<i>Item</i>	<i>2022</i>	<i>2021</i>
Agricultural Development Fund of China ("CADF")	64,000,000	86,000,000
Less: Long-term payables due within one year	22,000,000	22,000,000
<b>Balance of long-term payables</b>	<b>42,000,000</b>	<b>64,000,000</b>

In 2016, RMB305,000,00, from CADF was invested in R&D Centre, CADF accounted for 37.9% of the registered capital. According to the investment agreement, CADF will recovery investment funds over 10 years, the investment income received equal to 1.2% of the remaining unpaid principal per annum. In addition to the fixed income, CADF will no longer enjoy other profits or bear the loss of R&D Centre. Therefore, although the investment in

R&D Centre, nominally equity investment, is actually a debt investment (financial discount loan). The Group take this investment as long-term payables, which measured in amortized cost. The Group repays the principal of RMB22,000,000 in 2022. Refer to Note V. 52 for details of mortgaged and pledged assets.

Balance of long-term payables RMB	Return on investment	Investment date	Termination date of repayment	Due within one year	Due after one year	Mortgaged and pledged assets
				RMB	RMB	
64,000,000	1.20%	29 February 2016	28 February 2025	22,000,000	42,000,000	Fixed assets and intangible assets

### 30 Deferred income

Item	31 December 2021	Additions during the year	Decrease during the year	31 December 2022
Government grants	41,295,338	9,153,000	(12,059,280)	38,389,058

#### Government grants:

Liability	31 December 2021	Additions of government grants during the year	Amounts recognised in other income during the year	31 December 2022	Related to assets/income
Industrial development support project	20,500,000	-	(4,100,000)	16,400,000	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	11,376,000	-	(1,422,000)	9,954,000	Government grants related to assets
Retaining wall subsidies	-	6,380,000	(406,667)	5,973,333	Government grants related to assets
Coal subsidy	2,079,711	-	-	2,079,711	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	2,000,000	-	(400,000)	1,600,000	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,153,000	-	(162,000)	991,000	Government grants related to assets
Engineering technology transformation of information system project	1,160,000	-	(580,000)	580,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	641,500	-	(128,300)	513,200	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	225,588	-	(135,180)	90,408	Government grants related to assets
Special government grant for infrastructure	1,060,000	-	(1,060,000)	-	Government grants related to assets
Liquor electronic tracking project	524,095	-	(524,095)	-	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	156,600	-	(156,600)	-	Government grants related to assets
Subsidy for boiler reconstruction and demolition	60,000	-	(60,000)	-	Government grants related to assets
Special Funds for Innovation-Driven Development of Yantai City	308,844	-	(136,438)	172,406	Related to income
Prize from Industrial Design Competition of Yantai Mayor's Cup	50,000	-	(15,000)	35,000	Related to income
Wine industry development project	-	2,773,000	(2,773,000)	-	Related to income
Total	41,295,338	9,153,000	(12,059,280)	38,389,058	

## 31 Other non-current liabilities

<i>Item</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Employee benefits payable	-	2,119,671

## 32 Share capital

	<i>At 31 December 2021 and 31 December 2022</i>
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

## 33 Capital reserve

<i>Item</i>	<i>31 December 2021</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>31 December 2022</i>
Share premium	519,052,172	-	-	519,052,172
Others	5,916,588	-	-	5,916,588
Total	524,968,760	-	-	524,968,760

## 34 Other comprehensive income

<i>Item</i>	<i>Balance at the beginning of the year attributable to shareholders of the Company</i>	<i>Accrued during the year</i>					<i>Balance at the end of the year attributable to shareholders of the Company</i>
		<i>Before-tax amount</i>	<i>Less: Previously recognised amount transferred to profit or loss</i>	<i>Less: Income tax expenses</i>	<i>Net-of-tax amount attributable to shareholders of the Company</i>	<i>Net-of-tax amount attributable to non-controlling interests</i>	
Items that may be reclassified to profit or loss							
Translation differences arising from translation of foreign currency financial statements	(34,707,177)	12,282,545	-	-	10,946,939	1,335,606	(23,760,238)

## 35 Surplus reserve

<i>Item</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Statutory surplus reserve	342,732,000	342,732,000

In accordance with the Company Law and the Articles of Association Company, the Company appropriated 10% of its net profit to statutory surplus reserve. The appropriation to the statutory surplus reserve may be ceased when the accumulated appropriation reaches over 50% of the registered capital of the Company. The Company does not appropriate net profit to the surplus reserve in 2022 as surplus reserve of the Company is above 50% of the registered capital.

The Company can appropriate discretionary surplus reserve after appropriation of the statutory surplus reserve. Discretionary surplus reserve can be utilised to offset the deficit or increase the share capital after approval.

## 36 Retained earnings

<i>Item</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Retained earnings at the beginning of the year (before adjustment)		8,929,426,600	8,714,091,755
Impact of retrospective adjustment of accounting standards		-	(10,582,161)
Retained earnings at the beginning of the year (after adjustment)		8,929,426,600	8,703,509,594
Add: Net profits for the year attributable to shareholders of the Company		428,681,411	500,102,606
Less: Dividends to ordinary shares	(1)	(308,458,800)	(274,185,600)
Retained earnings at the end of the year	(2)	9,049,649,211	8,929,426,600

## (1) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 27 May 2022, a cash dividend of RMB 0.45 per share (2021: RMB0.4 per share), totalling RMB308,458,800 (2021: RMB274,185,600).

## (2) Retained earnings at the end of the year

As at 31 December 2022, the consolidated retained earnings attributable to the Company included an appropriation of RMB58,180,889 (2021: RMB58,041,628 ) to surplus reserve made by the subsidiaries.

## 37 Operating income and operating costs

<i>Item</i>	<i>2022</i>		<i>2021</i>	
	<i>Income</i>	<i>Cost</i>	<i>Income</i>	<i>Cost</i>
Principal activities	3,860,311,318	1,651,154,424	3,879,875,396	1,604,954,772
Other operating activities	58,629,842	29,640,308	73,192,187	42,835,102
Total	3,918,941,160	1,680,794,732	3,953,067,583	1,647,789,874
Including: Revenue from contracts with customers	3,916,599,934	1,679,459,968	3,951,052,097	1,646,424,782
Rent income	2,341,226	1,334,764	2,015,486	1,365,092

## (1) Disaggregation of revenue from contracts with customers:

<i>Type of contract</i>	<i>2022</i>	<i>2021</i>
By type of goods or services		
- Liquor	3,860,311,318	3,879,875,396
- Others	56,288,616	71,176,701
By timing of transferring goods or services		
- Revenue recognised at a point in time	3,916,599,934	3,951,052,097

## 38 Taxes and surcharges

<i>Item</i>	2022	2021
Consumption tax	198,284,289	164,791,894
Urban maintenance and construction tax	28,067,931	30,604,422
Education surcharges	19,554,864	22,147,840
Property tax	28,150,521	28,005,705
Tax on the use of urban land	11,403,394	11,654,759
Stamp duty	3,230,856	6,488,829
Others	964,772	364,121
<b>Total</b>	<b>289,656,627</b>	<b>264,057,570</b>

## 39 Selling and distribution expenses

<i>Item</i>	2022	2021
Salaries and benefits	282,395,182	308,876,899
Marketing fee	322,593,973	251,443,176
Labour service fee	108,784,934	96,864,855
Depreciation expense	47,509,217	48,014,605
Storage rental	25,572,282	28,110,876
Advertising fee	75,862,425	91,168,885
Royalty	21,877,171	24,763,872
Travelling expenses	23,759,493	21,624,100
Design and production fee	30,594,519	30,247,672
Conference fee	8,735,659	20,088,371
Water, electricity and gas fee	16,438,410	14,988,125
Others	64,842,873	62,762,669
<b>Total</b>	<b>1,028,966,138</b>	<b>998,954,105</b>

## 40 General and administrative expenses

<i>Item</i>	2022	2021
Salaries and benefits	73,824,670	73,920,103
Depreciation expenses	85,366,361	79,928,195
Repair costs	11,853,538	16,467,478
Administrative expenses	23,586,680	26,124,859
Amortisation expenses	18,057,909	19,354,205
Amortisation of greening fee	17,846,265	19,186,231
Rental charge	122,097	5,735,121
Safety production costs	11,539,602	11,190,158
Security and cleaning fee	8,530,050	7,455,965
Contracting fee	4,309,290	9,192,907
Others	32,569,069	30,521,154
<b>Total</b>	<b>287,605,531</b>	<b>299,076,376</b>

## 41 Financial expenses

<i>Item</i>	2022	2021
Interest expenses from loans and payables	22,174,501	24,504,339
Interest expenses from lease liabilities	4,682,389	5,292,452
Less: Borrowing costs capitalised	-	945,185
Interest income from deposits	(24,186,351)	(19,558,354)
Net exchange losses	3,301,716	8,296,888
Other financial expenses	1,283,952	3,588,587
Total	7,256,207	21,178,727

Fiscal interest subsidy during reporting period has been included in non-recurring gains and losses.

## 42 Other income

<i>Item</i>	2022	2021	<i>Related to assets/income</i>
Industrial development support project	4,100,000	4,100,000	Government grants related to assets
Wine production capacity construction project	400,000	400,000	Government grants related to assets
Xinjiang Industrial Revitalization and Technological Transformation Project	1,422,000	1,422,000	Government grants related to assets
Special subsidies for infrastructure support	1,060,000	1,060,000	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	-	2,000,000	Government grants related to assets
Others - Government grants related to assets	2,152,842	4,451,324	Government grants related to assets
Special funds for the development of enterprises	8,380,737	6,815,339	Related to income
Tax refunds	7,592,342	13,747,870	Related to income
Wine Industry Development Project	2,773,000	186,000	Related to income
Others - Government grants related to income	5,264,519	14,058,208	Related to income
Total	33,145,440	48,240,741	

Other income during reporting period has been included in non-recurring gains and losses.

## 43 Investment losses

## Investment losses by item

<i>Item</i>	2022	2021
Long-term equity investment losses under equity method	(1,605,469)	(2,784,997)
Investment loss arising from disposal of long-term equity investments	(1,842,325)	-
Total	(3,447,794)	(2,784,997)

## 44 Credit reversal/(losses)

<i>Item</i>	2022	2021
Accounts receivable	4,752,797	(7,937,144)
Total	4,752,797	(7,937,144)

## 45 Impairment losses

<i>Item</i>	2022	2021
Inventories	(578,745)	689,420
Goodwill	(5,210,925)	(20,563,671)
Total	(5,789,670)	(19,874,251)

## 46 Loss from asset disposals

<i>Item</i>	2022	2021
Loss from disposal of fixed assets	16,191,903	11,939,284

Loss from disposal of assets during reporting period has been included in non-recurring gains and losses.

## 47 Non-operating income and non-operating expenses

## (1) Non-operating income by item is as follows:

<i>Item</i>	2022	2021
Insurance compensation	3,038,560	1,069,670
Net income from fine	566,334	1,068,169
Inventory stocktake surplus	-	1,019,314
Others	3,227,915	2,057,151
Total	6,832,809	5,214,304

Non-operating income during reporting period has been included in non-recurring gains and losses.

## (2) Non-operating expenses

<i>Item</i>	2022	2021
Compensation, penalty and fine expenses	723,161	1,761,266
Donations provided	693,625	900,000
Losses from damage or scrapping of non current assets	867,796	3,425,709
Others	665,409	224,869
Total	2,949,991	6,311,844

Non-operating expenses during reporting period has been included in non-recurring gains and losses.

## 48 Income tax expenses

<i>Item</i>	<i>Note</i>	2022	2021
Current tax expense for the year based on tax law and regulations		176,922,552	248,208,920
Changes in deferred tax assets/liabilities	(1)	17,311,037	(39,188,099)
Total		194,233,589	209,020,821

(1) The analysis of changes in deferred tax is set out below:

<i>Item</i>	2022	2021
Origination of temporary differences	17,311,037	(39,188,099)
Total	17,311,037	(39,188,099)

(2) Reconciliation between income tax expenses and accounting profit:

<i>Item</i>	2022	2021
Profit before taxation	625,582,303	715,699,194
Estimated income tax at 25%	156,395,576	178,924,799
Effect of different tax rates applied by subsidiaries	3,875,636	7,223,819
Effect of non-deductible costs, expense and losses	6,207,982	9,480,180
Effect of deductible losses of deferred tax assets not recognised for the year	26,681,652	12,159,985
Deferred tax assets written-off	1,072,743	1,232,038
Income tax expenses	194,233,589	209,020,821

## 49 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	0.63	0.73

Weighted average number of ordinary shares is calculated as follows:

	2022	2021
Issued ordinary shares at the beginning of the year	685,464,000	685,464,000
Weighted average number of ordinary shares at the end of the year	685,464,000	685,464,000

(2) The Group does not have any potential dilutive ordinary shares for the listed years.

## 50 Cash flow statement

## (1) Proceeds relating to other operating activities:

<i>Item</i>	2022	2021
Government grants	30,239,160	36,882,470
Penalty income	566,334	1,068,169
Interest income from bank	22,845,833	19,558,354
Others	8,174,080	31,633,258
Total	61,825,407	89,142,251

## (2) Payments relating to other operating activities:

<i>Item</i>	2022	2021
Selling and distribution expenses	443,486,326	430,962,311
General and administrative expenses	92,510,326	128,747,237
Others	46,253,149	2,488,469
Total	582,249,801	562,198,017

## (3) Proceeds relating to other financing activities:

<i>Item</i>	2022	2021
Cash paid for lease	19,774,744	15,904,567
Total	19,774,744	15,904,567

## 51 Supplementary information on cash flow statement

## (1) Supplement to cash flow statement

## a. Reconciliation of net profit to cash flows from operating activities:

<i>Item</i>	2022	2021
Net profit	431,348,714	506,678,373
Add: Credit/asset impairment losses	1,036,873	27,811,395
Depreciation of fixed assets and investment property	314,038,019	271,154,064
Amortisation of intangible assets	25,766,271	19,914,969
Amortisation of long-term deferred expenses	19,340,746	19,256,179
Amortisation of biological assets	14,911,694	13,721,424
Depreciation of ROU assets	22,131,592	16,773,427
Losses from disposal of fixed assets, intangible assets, and other long-term assets	17,059,699	15,364,993
Financial expenses	25,170,658	26,782,042
Royalty	21,877,171	24,763,872
Investment losses	3,447,794	2,784,997
Decrease/(Increase) in deferred tax assets	17,848,075	(38,969,456)
Decrease in deferred tax liabilities	(537,038)	(218,643)
(Increase)/Decrease in gross inventories	(101,354,740)	143,615,551
Decrease/(Increase) in operating receivables	165,687,398	(187,412,623)
(Decrease)/Increase in operating payables	(108,896,279)	263,362,094
Net cash flows from operating activities	868,876,647	1,125,382,658

## b. Significant investing and financing activities not requiring the use of cash:

<i>Item</i>	2022	2021
Payment of construction in progress and other long-term assets by bank acceptances	40,584,152	60,224,230

## c. Change in cash and cash equivalents:

<i>Item</i>	2022	2021
Cash equivalents at the end of the year	1,612,753,600	1,502,327,029
Less: Cash equivalents at the beginning of the year	1,502,327,029	1,052,665,105
Net increase in cash and cash equivalents	110,426,571	449,661,924

## (3) Details of cash and cash equivalents

<i>Item</i>	2022	2021
Cash at bank and on hand		
Including: Cash on hand	47,954	71,486
Bank deposits available on demand	1,612,705,646	1,502,255,543
Closing balance of cash and cash equivalents	1,612,753,600	1,502,327,029

## 52 Assets with restrictive ownership title or right of use

<i>Item</i>	<i>Opening balance</i>	<i>Balance at the end of the year</i>	<i>Reason for restriction</i>
Cash at bank and on hand	11,568,964	10,500,515	The Company deposits for letters of credit etc.
Account receivable (i)	49,061,015	59,982,807	Short-term borrowings mortgage from Atrio
Fixed assets	313,012,605	303,897,124	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	201,345,477	169,385,254	R&D Centre mortgage for long-term payables
Total	574,988,061	543,765,700	

- (i) As at 31 December 2022, the amount of accounts receivable with restricted ownership is EUR8,080,778, equivalent of RMB 59,982,807 which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2021: EUR6,795,437, equivalent of RMB49,061,015)

## VI. Interests in other entities

## 1 Interests in subsidiaries

## (1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Xinjiang Tianzhu Wine Co., Ltd. ("Xinajing Tianzhu")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB75,000,000	60	-	Business combinations involving entities not under common control
Etablissements Roulet Fransac ("Roulet Fransac")	Cognac, France	Cognac, France	Trading	EUR2,900,000	-	100	Business combinations involving entities not under common control
Dicot Partners, S.L ("Dicot")	Navarre, Spain	Navarre, Spain	Marketing and sales	EUR2,000,000	90	-	Business combinations involving entities not under common control
Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SpA. ("Chile Indomita Wine Group")	Santiago, Chile	Santiago, Chile	Marketing and sales	CLP31,100,000,000	85	-	Acquired through establishment or investment
Kilikanoon Estate Pty Ltd. ("Australia Kilikanoon Estate")	Adelaide, Australia	Adelaide, Australia	Marketing and sales	AUD6,420,000	97.5	-	Business combinations involving entities not under common control
Beijing Changyu Sales and Distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB15,410,000	100	-	Acquired through establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd ("Chateau Changyu") (c)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	USD5,000,000	70	-	Acquired through establishment or investment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB1,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB8,000,000	100	-	Acquired through establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	USD6,108,818	39	10	Acquired through establishment or investment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Beijing Chateau Changyu AFIP Global Co., Ltd. ("AFIP") (d)	Beijing, China	Beijing, China	Manufacturing	RMB642,750,000	91.53	-	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	70	30	Acquired through establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Ningxia Changyu Grape Growing Co., Ltd. ("Ningxia Growing")	Yinchuan, Ningxia, China	Ningxia, China	Plating	RMB1,000,000	100	-	Acquired through establishment or investment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Marketing and sales	RMB2,000,000	100	-	Acquired through establishment or investment
Liaoning Changyu Golden Icewine Valley Co., Ltd. ("Golden Icewine Valley") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	RMB59,687,300	51	-	Acquired through establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Services	RMB500,000	-	100	Acquired through establishment or investment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Changyu (Ningxia) Wine Co., Ltd. ("Ningxia Wine")	Ningxia, China	Ningxia, China	Manufacturing	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai, Shandong, China	Yantai, Shandong, China	Wholesale and retail	RMB400,000,000	65	35	Acquired through establishment or investment
Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB550,000,000	100	-	Acquired through establishment or investment
Ningxia Chateau Changyu Moser XV Co., Ltd. ("Chateau Ningxia")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	RMB2,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Co., Ltd. ("Chateau Changan")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB20,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	88.65	-	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi, Liaoning, China	Benxi, Liaoning, China	Wine production projecting	RMB5,000,000	100	-	Acquired through establishment or investment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Marketing and sales	RMB10,000,000	-	100	Acquired through establishment or investment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Shaanxi Changyu Rena Wine Sales Co., Ltd ("Shaanxi Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB3,000,000	-	100	Acquired through establishment or investment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai, Shandong, China	Penglai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Francs Champs Participations SAS ("Francs Champs")	Cognac, France	Cognac, France	Investment and trading	EUR32,000,000	100	-	Acquired through establishment or investment
Yantai Roullet Fransac Wine Sales Co., Ltd. ("Yantai Roullet Fransac")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Tourism Co., Ltd ("Chateau Tourism")	Xianxin, Shaanxi, China	Xianxin, Shaanxi, China	Tourism	RMB1,000,000	-	100	Acquired through establishment or investment
Longkou Changyu Wine Sales Co., Ltd ("Longkou Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Cultural Tourism Development Co., Ltd ("Culture Development")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB10,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Wine Culture Museum Co., Ltd. ("Museum")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Yantai Changyu Culture Tourism Production Sales Co., Ltd. ("Culture Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB5,000,000	-	100	Acquired through establishment or investment
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB60,000,000	-	100	Acquired through establishment or investment
Yantai KOYA Brandy Chateau Co., Ltd ("Chateau KOYA")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB10,000,000	100	-	Acquired through establishment or investment
Changyu (Shanghai) International Digital Marketing Center Limited ("Digital Marketing")	Shanghai, China	Shanghai, China	Marketing and sales	RMB50,000,000	100	-	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Shanghai Changyu Guoqu Digital Technology Co., Ltd. ("Shanghai Guoqu")(b)	Shanghai, China	Shanghai, China	Marketing and sales	RMB6,000,000	-	51	Acquired through establishment or investment
Tianjin Changyu Yixin Digital Technology Co., Ltd. ("Tianjin Yixin")(b)	Tianjin, China	Tianjin, China	Marketing and sales	RMB10,000,000	-	51	Acquired through establishment or investment
Shanghai Changyu Yixin Digital Technology Co., Ltd. ("Shanghai Yixin")(b)	Shanghai, China	Shanghai, China	Marketing and sales	RMB10,000,000	-	51	Acquired through establishment or investment
Yantai Creighton Catering Company Limited ("Creighton Catering")	Yantai, Shandong, China	Yantai, Shandong, China	Services	RMB1,000,000		100	Acquired through establishment or investment

Reasons for the inconsistency between the proportion of shareholdings in a subsidiary and the proportion of voting rights:

- (a) Chateau Changyu is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement is terminated on 31 December 2022.
- (b) AFIP is a limited liability company established by Yantai Dean and Beijing Qinglang. In June 2019, Yantai Dean transferred 1.31% of its equity to Yantai Changyu. After the equity change, the Company holds 91.53% of its equity. Through agreement arrangement, the Company has the full power to control AFIP's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2024.
- (c) R&D Centre is a joint venture established by the Company and CADF, accounting for 88.65% of R&D Centre's equity interest. Through agreement arrangement in Note V. 28, the Company has the full power to control R&D Centre's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 28 February 2025. As at 31 December 2021, remaining investment of CADF accounts for 11.53% of the registered capital.

## (2) Material non-wholly owned subsidiaries

<i>Name of the Subsidiary</i>	<i>Proportion of ownership interest held by non-controlling interests</i>	<i>Comprehensive income attributable to non-controlling interests for the year</i>	<i>Dividend declared to non-controlling shareholders during the year</i>	<i>Balance of non-controlling interests at the end of the year</i>
Xinjiang Tianzhu	40%	3,823,000	-	(40,902,990)
AFIP	8.47%	-	-	(56,409,393)
Golden Icewine Valley	49%	1,663,793	-	(31,655,269)
IWCC	15%	(4,458,010)	1,906,484	(57,264,506)

## (3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	<i>Xinjiang Tianzhu</i>		<i>AFIP</i>		<i>Golden Icewine Valley</i>		<i>Chile Indomita Wine Group</i>	
	2022	2021	2022	2021	2022	2021	2022	2021
Current assets	33,532,307	22,642,150	251,902,602	249,865,391	15,243,035	24,018,451	221,192,234	196,488,084
Non-current assets	23,267,653	43,852,510	399,165,555	414,851,163	24,918,242	24,450,344	320,233,623	314,756,823
Total assets	56,799,960	66,494,660	651,068,157	664,716,554	40,161,277	48,468,795	541,425,857	511,244,907
Current liabilities	131,477	130,108	22,424,425	27,459,352	8,064,396	12,976,418	140,793,252	130,027,677
Non-current liabilities	5,336,114	5,336,114	3,020,582	-	-	-	11,311,586	8,906,387
Total liabilities	5,467,591	5,466,222	25,445,007	27,459,352	8,064,396	12,976,418	152,104,838	138,934,064
Operating income	-	-	175,992,960	191,463,783	17,040,412	24,236,758	238,351,323	226,856,381
Net (loss)/ profit	(9,557,501)	(3,480,276)	(3,366,711)	2,326,063	(3,395,496)	(6,425,183)	23,561,992	19,716,978
Total comprehensive income	(9,557,501)	(3,480,276)	(3,366,711)	2,326,063	(3,395,496)	(6,425,183)	29,720,066	3,284,057
Cash flows from operating activities	11,772,488	(1,292,713)	8,265,568	(4,754,748)	6,541,363	4,744,413	18,971,851	99,234,532

## VII. Risk related to financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group's operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### 1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the Group has adopted a policy to ensure that all sales customers have good credit records. According to the policy of the Group, credit review is required for clients who require credit transactions. In addition, the Group continuously monitors the balance of account receivable to ensure there's no exposure to significant bad debt risks. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2022, 48.8% of the Group trade receivables are due from top five customers (31 December 2021: 42.8%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

## 2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the Company's board when the borrowings exceed certain predetermined levels). The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

Item	2022 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	396,981,235	-	-	-	396,981,235	389,378,480
Accounts payable	503,323,746	-	-	-	503,323,746	503,323,746
Other payables	372,608,689	-	-	-	372,608,689	372,608,689
Long-term loans (including the portion due within one year)	75,108,083	70,927,517	115,864,799	-	261,900,399	231,124,009
Long-term payables (including the portion due within one year)	22,546,674	22,282,674	20,039,452	-	64,868,800	64,000,000
Lease liability (including the portion due within one year)	22,767,666	22,126,517	33,652,990	68,864,863	147,412,036	128,514,033
Total	1,393,336,093	115,336,708	169,557,241	68,864,863	1,747,094,905	1,688,948,957

Item	2021 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	630,717,486	-	-	-	630,717,486	622,066,457
Accounts payable	493,453,816	-	-	-	493,453,816	493,453,816
Other payables	452,642,025	-	-	-	452,642,025	452,642,025
Long-term loans (including the portion due within one year)	20,586,762	125,114,353	112,380,675	15,506,135	273,587,925	250,567,080
Long-term payables (including the portion due within one year)	22,810,674	22,546,674	42,322,126	-	87,679,474	86,000,000
Lease liability (including the portion due within one year)	19,753,555	17,690,615	39,763,489	75,510,332	152,717,991	116,156,677
Total	1,639,964,318	165,351,642	194,466,290	91,016,467	2,090,798,717	2,020,886,055

## 3 Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	2022		2021	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	2.00% - 2.25%	53,200,000	1.75% - 2.25%	53,200,000
Financial liabilities				
- Short-term loans	0.65% - 6.76%	(155,774,939)	0.35% - 3.35%	(172,066,457)
- Long-term loans (including the portion due within one year)	1.50% - 3.65%	(183,331,680)	0.95% - 3.28%	(193,475,080)
- Long-term payables (including the portion due within one year)	1.20%	(64,000,000)	1.20%	(86,000,000)
- Lease liability (including the portion due within one year)	4.65%	(128,514,033)	4.65%	(116,156,677)
Total		(478,420,652)		(514,498,214)

Variable rate instruments:

Item	2022		2021	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	0.25% - 1.61%	1,598,206,161	0.3% - 1.82%	1,513,824,507
Financial liabilities				
- Short-term loans	1 year LPR 0.005	(200,000,000)	1 year LPR 0.005	(450,000,000)
- Short-term loans	1.81% - 2.54%	(33,603,542)	-	-
- Long-term loans (including the portion due within one year)	-	-	90% of 5 year LPR	(6,250,000)
- Long-term loans (including the portion due within one year)	BBSY+1.10%	(44,781,100)	BBSY+1.10%	(50,842,000)
- Long-term loans (including the portion due within one year)	2.85% - 3.35%	(3,011,228)	-	-
Total		1,316,810,291		1,006,732,507

(2) Sensitivity analysis

Management of the Group believes interest rate risk on bank deposit is not significant, therefore does not disclose sensitivity analysis for interest rate risk.

As at 31 December 2022, based on assumptions above, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB1,055,235(2021: RMB1,901,595), and net profit by RMB1,055,235 (2021: RMB1,901,595).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

#### 4 Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (1) As at 31 December, the Group's exposure to main currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

	2022		2021	
	<i>Balance at foreign currency</i>	<i>Balance at RMB equivalent</i>	<i>Balance at foreign currency</i>	<i>Balance at RMB equivalent</i>
Cash at bank and on hand				
- USD	10,922	76,068	1,984,323	12,640,136
- EUR	67	494	106,216	766,848
- HKD	208	186		
Short-term loans			15,490,000	98,759,593
- USD	13,750,000	95,792,132	15,490,000	98,759,593

- (2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	<i>Average rate</i>		<i>Balance sheet date mid-spot rate</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	USD	6.7573	6.4512	6.9646
EUR	7.0985	7.6186	7.4229	7.2197
HKD	0.8583	0.8300	0.8933	0.8176

## (3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and Euro dollar at 31 December would have impact on the Group's equity and net profit by the amount shown below. whose effect is in Renminbi and translated using the spot rate at the year-end date:

	<i>Equity</i>	<i>Net profit</i>
31 December 2022		
USD	3,589,352	3,589,352
EUR	(19)	(19)
HKD	(7)	(7)
Total	3,589,326	3,589,326
31 December 2021		
USD	4,305,973	4,305,973
EUR	(38,342)	(38,342)
Total	4,267,631	4,267,631

A 5% weakening of the Renminbi against the US dollar and Euro dollar at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

## VIII. Fair value disclosure

All financial assets and financial liabilities held by the Group are carried at amounts not materially different from their fair value at 31 December 2022 and 31 December 2021.

## IX. Related parties and related party transactions

## 1 Information about the parent of the Company

<i>Company name</i>	<i>Registered place</i>	<i>Business nature</i>	<i>Registered capital</i>	<i>Shareholding percentage (%)</i>	<i>Percentage of voting rights (%)</i>	<i>Ultimate controlling party of the Company</i>
Changyu Group	Yantai	Manufacturing	50,000,000	50.4%	50.4%	Jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

There are no changes on the registered capital and shareholding percentage/percentage of voting rights of the parent company.

## 2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VI.1.

## 3 Information on other related parties

<i>Name of other related parties</i>	<i>Related party relationship</i>
Yantai Shenma Packaging Co., Ltd. ("Shenma Packaging")	Controlled by the same parent company
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd. ("Zhongya Pharmaceutical")	Controlled by the same parent company
WEMISS Shanghai	Associate of the Group
Chengdu Yufeng	Associate of the Group
Yantai Guolong	Subsidiaries of the joint venture
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN ("LIVERSAN")	Subsidiaries of the joint venture

## 4 Transactions with related parties

## (1) Product procurement

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Shenma Packaging	Product procurement	82,187,388	80,754,599
Zhongya Pharmaceutical	Product procurement	253,410	591,522
Mirefleurs	Product procurement	7,054,664	6,822,330
LIVERSAN	Product procurement	2,870,515	3,269,146
Total		92,365,977	91,437,597

## (2) Sales of goods

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Zhongya Pharmaceutical	Sales of goods	5,384,362	3,872,660
WEMISS Shanghai	Sales of goods	2,017,066	5,365,061
Chengdu Yufeng	Sales of goods	614,302	2,677,707
Shenma Packaging	Sales of goods	110,048	287,930
Yantai Guolong	Sales of goods	26,816,648	-
Total		34,942,426	12,203,358

## (3) Purchase of fixed assets

<i>Related parties of the Company</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Shenma Packaging	Purchase of fixed assets	4,245,929	4,101,232
Total		4,245,929	4,101,232

## (4) Leases

## (a) As the lessor

<i>Name of lessee</i>	<i>Type of assets leased</i>	<i>Lease income recognised in 2022</i>	<i>Lease income recognised in 2021</i>
Shenma Packaging	Offices and plants	1,549,410	1,492,550
Zhongya Pharmaceutical	Offices and plants	590,476	522,936
Total		2,139,886	2,015,486

## (b) As the lessee

<i>Name of lessor</i>	<i>Type of assets leased</i>	<i>Lease expense recognised in 2022</i>	<i>Lease expense recognised in 2021</i>
Changyu Group	Office buildings	1,425,735	1,612,118
Changyu Group	Offices and plants	1,275,144	1,394,762
Changyu Group	Offices and plants	3,825,433	4,184,286
Changyu Group	Offices and commercial building	6,145,488	7,057,143
Total		1,425,735	14,248,309

## (5) Remuneration of key management personnel

<i>Item</i>	<i>2022</i>	<i>2021</i>
Remuneration of key management personnel	10,265,674	12,495,933

## (6) Other related party transactions

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Changyu Group	Royalty	21,877,171	24,763,872

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Company may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group. The license is effective until the expiry of the registration of the trademarks.

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615 (tax inclusive).

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group

pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group's contract products using this trademark. The article 6.3 is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

In addition, in accordance with agreement the Group signed with Changyu Group in November 2019, Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022. If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs.

The Group incurred a trademark usage fee of RMB21,877,171 this year.

## 5 Receivables from and payables to related parties

### Receivables from related parties

Item	Related party	2022		2021	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Zhongya Pharmaceutical	2,627,473	8,091	287,788	956
Other current assets	Changyu Group	120,930,641	-	-	-
Other non-current assets	Changyu Group	-	-	144,120,442	-
Other receivables	Shenma Packaging	-	-	341,880	-
Accounts receivable	Yantai Guolong I	2,627,473	8,091	-	-

### Payables to related parties

Item	Related party	2022	2021
Accounts payable	Zhongya Pharmaceutical	36,600,233	30,184,072
Accounts payable	Zhongya Pharmaceutica	5,365,862	-
Accounts payable	Chengdu Yufeng	143,659	344,464
Accounts payable	Changyu Group	19,434,600	19,434,600
Contract liabilities	Zhongya Pharmaceutica	240	653
Other payables	Shenma Packaging	471,869	-

## X. Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## XI. Commitments and contingencies

## 1 Significant commitment

## (1) Capital commitments

<i>Item</i>	2022	2021
Long-term assets acquisition commitment	45,698,000	84,963,700
Total	45,698,000	84,963,700

## (2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Group's properties were payable as follows:

<i>Item</i>	2022	2021
Within 1 year (inclusive)	-	651,000
Total	-	651,000

## 2 Contingencies

The Group do not have any significant contingencies as at balance sheet date.

## XII. Subsequent events

## 1 Distribution of dividends on ordinary shares approved after the balance sheet date

According to the proposal of the Board of Directors on 11 April 2023, the Company intends to distribute cash dividend totaling RMB308,458,800 to all shareholders of 685,464,000 capital shares for the year ended 31 December 2021 on the basis of RMB4.5 (including tax) for every 10 shares. The proposal is subject to the approval by the Shareholders' meeting. This distribution of profit in cash has not been recognised as a liability at the balance sheet date.

## 2 Transfer of the non-controlling interests after balance sheet date

On 16 January 2023, the 4th meeting of the 9th Board of Directors of the Company reviewed and approved the Proposal on the Transfer of Equity of Liaoning Changyu Golden Valley Icewine Chateau Co., Ltd. ("Icewine Chateau"). On 30 January 2023, the Company signed the Equity Transfer Agreement with Canada Orose Icewine Co., Ltd. ("Orose Icewine Company") and Huanren Manchu Autonomous County Orose Chateau Co., Ltd. (Orose Chateau Company)(桓仁满族自治县奥罗丝酒庄有限公司), the Company planned to transfer 25% equity of the Icewine Chateau held by Orose Icewine Company, in the amount of RMB 16,671,800.00, and 24% equity of the Icewine Chateau held by Orose Chateau Company, in the amount of RMB 16,075,000.00.

## XIII. Other significant items

## 1 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2022, over 82% of revenue, more than 91% of profit and over 91% of non-current assets derived from China/are located in China. Therefore, the Group does not need to disclose additional segment report information.

## XIV. Notes to the Company's financial statements

## 1 Bills receivable

## Classification of bills receivable

<i>Item</i>	2022	2021
Bank acceptance bills	-	9,800,000
Total	-	9,800,000

## 2 Receivables under financing

<i>Item</i>	<i>Note</i>	2022	2021
Bills receivable	(1)	41,061,417	62,411,636
Total		41,061,417	62,411,636

## (1) The pledged bills receivable of the Company at the end of the year

As at 31 December 2022, there was no pledged bills receivable (31 December 2021: Nil).

## (2) Outstanding derecognised endorsed bills that have not matured at the end of the year

<i>Item</i>	<i>Amount recognised at year end</i>
Bank acceptance bills	105,149,583
Total	105,149,583

As at 31 December 2022, derecognised bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB 105,149,583 (31 December 2021: RMB65,893,889). The notes are used for payment to suppliers. The Company believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Company would undertake limited liability for the notes.

## 3 Other receivables

	<i>Note</i>	31 December 2022	31 December 2021
Dividends receivable	(1)	250,000,000	-

Others	(2)	470,176,320	398,072,976
Total		720,176,320	398,072,976

## (1) Dividends receivable

<i>Item</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Dividends to subsidiaries	250,000,000	-
Total	250,000,000	-

## (2) Others

## (a) Others by customer type:

<i>Customer type</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Amounts due from subsidiaries	470,128,362	397,998,281
Amounts due from related parties	47,958	74,695
Sub-total	470,176,320	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,128,362	398,072,976

## (b) The ageing analysis is as follows:

<i>Ageing</i>	<i>2022</i>	<i>2021</i>
Within 1 year (inclusive)	470,071,848	397,936,651
Over 1 year but within 2 years (inclusive)	-	11,853
Over 2 years but within 3 years (inclusive)	104,472	104,472
Over 3 years	-	20,000
Sub-total	470,176,320	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,176,320	398,072,976

The ageing is counted starting from the date.

## (c) Movements of provisions for bad and doubtful debts

As at 31 December 2022, no bad and doubtful debt provision was made for other receivables (31 December 2021: Nil).

As at 31 December 2022, the Company has no other receivables written off (31 December 2021: Nil).

## (d) Others categorised by nature

<i>Nature of other receivables</i>	2022	2021
Amounts due from subsidiaries	470,128,362	397,998,281
Others	47,958	74,695
Sub-total	470,176,320	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,128,362	398,072,976

## (e) Five largest others-by debtor at the end of the year

<i>Debtor</i>	<i>Nature of the receivable</i>	<i>Balance at the end of the year</i>	<i>Ageing</i>	<i>Percentage of ending balance of others (%)</i>	<i>Ending balance of provision for bad and doubtful debts</i>
Sales Company	Amounts due from subsidiaries	192,349,897	Within 1 year	40.9	-
R&D Centre	Amounts due from subsidiaries	16,085,524	Within 1 year	3.4	-
Digital Marketing	Amounts due from subsidiaries	12,513,258	Within 1 year	2.7	-
Chateau KOYA	Amounts due from subsidiaries	9,455,430	Within 1 year	2.0	-
Chateau Changyu	Amounts due from subsidiaries	7,040,550	Within 1 year	1.5	-
Total		237,444,659		50.5	-

## 4 Long-term equity investments

## (1) Long-term equity investments by category:

<i>Item</i>	2022			2021		
	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>	<i>Book value</i>	<i>Provision for impairment</i>	<i>Carrying amount</i>
Investments in subsidiaries	7,703,535,027	-	7,703,535,027	7,593,535,027	-	7,593,535,027
Investments in associates	2,318,351	-	2,318,351	5,886,467	-	5,886,467
Total	7,705,853,378	-	7,705,853,378	7,599,421,494	-	7,599,421,494

## (2) Investments in subsidiaries:

<i>Subsidiary</i>	<i>Balance at the beginning of the year</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>Balance at the end of the year</i>
Xinjiang Tianzhu	60,000,000	-	-	60,000,000
Kylin Packaging	23,176,063	-	-	23,176,063
Chateau Changyu	28,968,100	-	-	28,968,100
Pioneer International	3,500,000	-	-	3,500,000
Ningxia Growing	36,573,247	-	-	36,573,247
National Wines	2,000,000	-	-	2,000,000
Golden Icewine Valley	30,440,500	-	-	30,440,500
Chateau Beijing	588,389,444	-	-	588,389,444
Sales Company	7,200,000	-	-	7,200,000
Langfang Sales	100,000	-	-	100,000
Langfang Castel	19,835,730	-	-	19,835,730
Wine Sales	4,500,000	-	-	4,500,000
Shanghai Marketing	1,000,000	-	-	1,000,000
Beijing Sales	850,000	-	-	850,000
Jingyang Sales	100,000	-	-	100,000
Jingyang Wine	900,000	-	-	900,000
Ningxia Wine	222,309,388	-	-	222,309,388
Chateau Ningxia	453,463,500	-	-	453,463,500
Chateau Tinlot	212,039,586	-	-	212,039,586
Chateau Shihezi	812,019,770	-	-	812,019,770
Chateau Changan	803,892,258	-	-	803,892,258
R&D Centre	3,288,906,445	-	-	3,288,906,445
Huanren Wine	22,200,000	-	-	22,200,000
Wine Sales Company	5,000,000	-	-	5,000,000
Francs Champs	236,025,404	-	-	236,025,404
Dicot	233,142,269	-	-	233,142,269
Chile Indomita Wine Group	274,248,114	-	-	274,248,114
Australia Kilikanoon Estate	129,275,639	-	-	129,275,639
Digital Marketing	1,000,000	-	-	1,000,000
Culture Development	92,479,570	-	-	92,479,570
Chateau Koya	-	110,000,000	-	110,000,000
<b>Total</b>	<b>7,593,535,027</b>	<b>110,000,000</b>	<b>-</b>	<b>7,703,535,027</b>

For information about the subsidiaries of the Company, refer to Note VI.

## (3) Investments in associates:

<i>Subsidiary</i>	<i>Balance at the beginning of the year</i>	<i>Additions during the year</i>	<i>Decrease during the year</i>	<i>Investment losses recognized under the equity method</i>	<i>Balance at the end of the year</i>
WEMISS Shanghai	2,366,811	-	-	(48,460)	2,318,351
Yantai Santai Real Estate Development Co., Ltd	3,519,656	-	(3,519,656)	-	-
<b>Total</b>	<b>5,886,467</b>	<b>-</b>	<b>(3,519,656)</b>	<b>(48,460)</b>	<b>2,318,351</b>

## 5 Operating income and operating costs

<i>Item</i>	<i>2022</i>		<i>2021</i>	
	<i>Income</i>	<i>Cost</i>	<i>Income</i>	<i>Cost</i>
Principal activities	672,635,481	575,896,372	576,706,055	470,719,232
Other operating activities	2,426,940	1,420,479	2,189,747	1,439,506
Total	675,062,421	577,316,851	578,895,802	472,158,738
Including: Revenue from contracts with customers	672,635,481	575,896,372	576,706,055	470,719,232
Rent income	2,426,940	1,420,479	2,189,747	1,439,506

## (1) Disaggregation of revenue from contracts with customers:

<i>Type of contract</i>	<i>2022</i>	<i>2021</i>
By type of goods or services		
- Liquor	672,635,481	576,706,055
By timing of transferring goods or services		
- Revenue recognised at a point in time	672,635,481	576,706,055

## 6 Investment income

<i>Item</i>	<i>2022</i>	<i>2021</i>
Income from long-term equity investments accounted for using cost method	738,407,264	867,880,564
Loss from long-term equity investments accounted for using equity method	(48,460)	(357,386)
Loss from long-term equity investments accounted for disposal of long-term equity investment	(1,842,325)	-
Total	736,516,479	867,523,178

## 7 Transactions with related parties

## (1) Product procurement

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Subsidiary of the parent company	Product procurement	154,806,785	117,808,977
Other related parties of the Company	Product procurement	42,578,235	30,002,566
Total		197,385,020	147,811,543

## (2) Sales of goods

<i>Related parties</i>	<i>Nature of transaction</i>	<i>2022</i>	<i>2021</i>
Subsidiary of the parent company	Sales of goods	504,080,073	576,708,399
Other related parties of the Company	Sales of goods	2,952,493	3,017,548
Total		507,032,566	579,725,947

## (3) Guarantee

## The Company as the guarantor

<i>Guarantee holder</i>	<i>Currency</i>	<i>Amount of guarantee</i>	<i>Inception date of guarantee</i>	<i>Maturity date of guarantee</i>	<i>Guarantee expired (Y/N)</i>
R&D Centre	RMB	500,000,000	08 March 2017	08 March 2022	Y
Australia Kilikanoon Estate	AUD	17,550,000	13 December 2018	13 December 2023	N

## (4) Leases

## (a) As the lessor

<i>Name of lessee</i>	<i>Type of assets leased</i>	<i>Lease income recognised in 2022</i>	<i>Lease income recognised in 2021</i>
Other related parties of the Company	Offices and plants	2,139,886	2,015,486
Subsidiary of the parent company	Offices buildings	85,714	85,714
Total		2,225,600	2,101,200

## (b) As the lessee

<i>Name of lessor</i>	<i>Type of assets leased</i>	<i>Lease expense recognised in 2022</i>	<i>Lease expense recognised in 2021</i>
Other related parties of the Company	Office buildings	1,275,144	1,394,762
Total	Office buildings	1,275,144	1,394,762

## 8 Receivables from and payables to related parties

## Receivables from related parties

<i>Item</i>	<i>Related party</i>	<i>2022</i>		<i>2021</i>	
		<i>Book value</i>	<i>Provision for bad and doubtful debts</i>	<i>Book value</i>	<i>Provision for bad and doubtful debts</i>
Accounts receivables	Other related parties of the Company	2,301,505	7,805	-	-
Other receivables	Subsidiary of the parent company	720,128,362	-	397,998,281	-
Other non-current assets	Subsidiary of the parent company	1,850,200,000	-	2,023,500,000	-

## Payables to related parties

<i>Item</i>	<i>Related party</i>	<i>2022</i>	<i>2021</i>
Accounts payable	Other related parties of the Company	35,944,149	28,014,000
Other payables	Subsidiary of the parent company	421,781,524	362,651,747
Other payables	Other related parties of the Company	471,869	-

## XV. Non-recurring profit and loss statement in 2022

	<i>Item</i>	<i>Amount</i>
(1)	Profit and loss from disposal of non-current assets	(18,902,024)
(2)	Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	33,145,440
(3)	Other non-operating income and expenses besides items above	4,750,614
	Sub-total	18,994,030
(4)	Tax effect	(4,695,173)
(5)	Effect on non-controlling interests after taxation	551,195
	Total	14,850,052

Note 1: Extraordinary gain and loss items (1) to (3) listed above are presented in the amount before taxation.

## XVI. Return on net assets and earnings per share

## 1 Calculation of earnings per share

## (1) Basic earnings per share

For calculation of the basic earnings per share, please refer to Note V.49.

## (2) Basic earnings per share excluding extraordinary gain and loss

Basic earnings per share excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Extraordinary gains and losses attributable to ordinary shareholders of the Company	14,850,052	27,866,644
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	413,831,359	472,235,962
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	0.60	0.69

## (3) Diluted earnings per share

During the reporting period, the Company did not have dilutive potential ordinary shares.

## 2 Calculation of weighted average return on net assets

## (1) Weighted average return on net assets

Weighted average return on net assets is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Weighted average amount of consolidated net assets	10,487,764,058	10,329,718,533
Weighted average return on net assets	4.09%	4.84%

Calculation of weighted average amount of consolidated net assets is as follows:

	2022	2021
Consolidated net assets at the beginning of the year	10,447,884,183	10,267,832,644
Impact of changes in accounting policies	-	(10,582,161)
Effect of consolidated net profit attributable to ordinary shareholders of the Company	219,814,175	232,409,650
Effect of shares repurchased (Note V.36)	(179,934,300)	(159,941,600)
Weighted average amount of consolidated net assets	10,487,764,058	10,329,718,533

## (2) Weighted average return on net assets excluding extraordinary gain and loss

Weighted average return on net assets excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2022	2021
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	413,831,359	472,235,962
Weighted average amount of consolidated net assets (Note)	10,487,764,058	10,329,718,533
Weighted average return on net assets excluding extraordinary gain and loss	3.95%	4.57%

**Yantai Changyu Pioneer Wine Co., Ltd.**  
**Board of Directors**  
**April 13, 2023**