

Yantai Changyu Pioneer Wine Co., Ltd.

2023 Annual Report

Final 2024-01



April 12, 2024

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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 directors, 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 |
|---|---|--|-------------------|
| Changqing Duan | Independent director | On a business trip | Qinglin Liu |
| Huirong Liu | Independent director | On a business trip | Zhuquan Wang |

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 692,249,559 shares, the Company plans to pay CNY5 (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 | http://www.changyu.com.cn | | |
| 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 (http://www.szse.cn) |
| 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 (http://www.cninfo.com.cn) |
| Filing location of the Company's annual report | Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong |

4. Registration changes

| | |
|--|---|
| Organization Code | 913700002671000358 |
| Changes for the main businesses of the Company since it was listed (if have) | The business scope determined by the Company when it was established on September 18 th , 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 th , 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 th , 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 rd , 2016, approved by The 1 st 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 (if have) | 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

| | 2023 | 2022 | Increase/decrease compared with last year (%) | 2021 |
|--|-------------------|-------------------|---|-------------------|
| Operating revenue (CNY) | 4,384,764,335 | 3,918,941,160 | 11.89% | 3,953,067,583 |
| Net profit attributed to shareholders of the listed company (CNY) | 532,438,907 | 428,681,411 | 24.20% | 500,102,606 |
| Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (CNY) | 464,073,693 | 413,831,359 | 12.14% | 472,235,962 |
| Net cash flows from operating activities (CNY) | 1,173,091,743 | 868,876,647 | 35.01% | 1,125,382,658 |
| Basic earnings per share (CNY) | 0.78 | 0.63 | 23.81% | 0.73 |
| Diluted earnings per share (CNY) | 0.78 | 0.63 | 23.81% | 0.73 |
| Weighted average for earning rate of net assets | 4.98% | 4.09% | 0.89% | 4.84% |
| | December 31, 2023 | December 31, 2022 | Increase/decrease compared with last year-end (%) | December 31, 2021 |
| Total assets (CNY) | 13,336,267,204 | 13,171,506,378 | 1.25% | 13,472,009,754 |
| Net assets attributed to shareholders of the listed company (CNY) | 10,841,500,988 | 10,579,053,733 | 2.48% | 10,447,884,183 |

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 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Operating revenue | 1,131,459,036 | 835,279,449 | 834,486,573 | 1,583,539,277 |
| Net profit attributed to shareholders of the listed company | 276,778,987 | 86,790,449 | 60,948,191 | 107,921,280 |
| Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses | 267,069,409 | 57,252,566 | 54,891,658 | 84,860,060 |
| Net cash flows from operating activities | 333,578,090 | 194,341,696 | 203,051,049 | 442,120,908 |

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 | 2023 | 2022 | 2021 | Explanation |
|--|------------|-------------|-------------|-------------|
| Profits and losses on disposal of non-current assets (including the provision for asset impairment write-off part) | 23,852,237 | -18,902,024 | -15,364,993 | |
| 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) | 51,523,799 | 33,145,440 | 48,240,741 | |
| Other non-operating revenues and expenditures in addition to the aforementioned items | 9,137,420 | 4,750,614 | 2,328,169 | |
| Less: Income tax effect | 13,643,745 | 4,695,173 | 7,306,787 | |

| | | | | |
|--|------------|------------|------------|----|
| Minority shareholders' equity effect (after taxes) | 2,504,497 | -551,195 | 30,486 | |
| Total | 68,365,214 | 14,850,052 | 27,866,644 | -- |

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 2023, the overall demand of China's wine market is still sluggish, coupled with the squeeze of strong wines such as Baijiu and beer, the market competition is very fierce, and some wine enterprises are in trouble.

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, implement equity incentive, continue to promote circle marketing, banquet promotion and digital transformation. In 2023, the Company realized the operating revenue of CNY4384.76million with a year-on-year increase of 11.89% and the net profit attributable to the parent company's shareholders of CNY532.44million with a year-on-year increase of 24.20%, 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 in recent years, the competition in domestic wine 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. There are no clear signs of a reversal for the industry. However, seen from the long term, the Company believes that 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 Icewine Valley, Zenithwirl, Vermouth, Rena, Baron Balboa, Donelly, Atrio, Kilikanoon and IWCC and so on. For Brandy, main brands included Koya, Liquan, Mmini, Pageese, Rouillet 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 5,000 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 2023 | Increased number during this report period | Number at the end of 2023 |
|---|---------------------------------|--|---------------------------|
| Eastern China | 1936 | 129 | 2065 |
| South China | 605 | -12 | 593 |
| Central China | 447 | -31 | 416 |
| North China | 358 | -6 | 352 |
| Northwest China | 170 | -9 | 161 |
| Southwest China | 483 | -20 | 463 |
| Northeast China | 312 | -10 | 302 |
| HongKong, Macao, Taiwan China and overseas | 602 | 105 | 707 |
| Total | 4913 | 146 | 5059 |

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

| Sales model | 2023 | | | 2022 | | |
|--------------|------------------------|----------------------|--------------|------------------------|----------------------|--------------|
| | Operating income (CNY) | Operating cost (CNY) | Gross margin | Operating income (CNY) | Operating cost (CNY) | Gross margin |
| Distribution | 3,725,067,921 | 1,499,834,836 | 59.74% | 3,272,506,752 | 1,396,195,485 | 57.34% |
| Direct sales | 659,696,414 | 287,148,821 | 56.47% | 646,434,408 | 284,599,247 | 55.97% |
| Total | 4,384,764,335 | 1,786,983,657 | 59.25% | 3,918,941,160 | 1,680,794,732 | 57.11% |

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

 Available Not available

Sales of online direct selling

 Available Not available

| Sales model | 2023 | | | 2022 | | |
|--------------|---------------------------|-------------------------|--------------|---------------------------|-------------------------|--------------|
| | Operating income (CNY) | Operating cost (CNY) | Gross margin | Operating income (CNY) | Operating cost (CNY) | Gross margin |
| Distribution | 3,725,067,921 | 1,499,834,836 | 59.74% | 3,272,506,752 | 1,396,195,485 | 57.34% |
| Direct sales | 659,696,414 | 287,148,821 | 56.47% | 646,434,408 | 284,599,247 | 55.97% |
| Total | 4,384,764,335 | 1,786,983,657 | 59.25% | 3,918,941,160 | 1,680,794,732 | 57.11% |

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

| 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 | 72,953 |
| Tender/Price determined by quality comparison with standard price items | Packaging materials | 53,449 |
| Tender/Price determined by quality comparison with standard price items | Brewing materials | 2,230 |
| Tender/Price determined by quality comparison with standard price items | Vineyard supplies | 955 |
| Contract | Fuel and power | 4,387 |
| Price determined by quality comparison with standard price items | Other wines and derivatives | 2,650 |

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 and Xinjiang, 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 during this period over last year | Cause of significant changes |
|--|--|--|
| Operating revenue | 11.89% | Mainly due to the increase in sales volume |
| Operating cost | 6.32% | Mainly due to the increase in the procurement cost |
| Sales expense | 20.49% | Mainly due to the increased marketing expense resulting from increased market investment |
| Management expense | 5.70% | Mainly due to the increase in performance salary resulting from increased revenue |
| R&D expense | 12.85% | Mainly due to the Company's increased R&D efforts, the cost of testing and consumable materials increased. |
| Financial expense | 52.74% | Mainly due to the increase in loan interest rate borrowing by overseas companies. |
| Net amount of cash flow generated in operating activities | 35.05% | Mainly due to the increase in operating income during the year. |
| Net amount of cash flow generated in investment activities | -124.48% | Mainly due to the increase in time deposit during the year. |
| Net amount of cash flow generated in financing activities | 18.72% | Mainly due to lower loan repayments during the year. |

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, demand of China's wine industry did not improve much, and all the staff of the Company made concerted efforts and forged ahead to complete the main work objectives identified at the beginning of the year. The Company realized the operating revenue of CNY4384.76million with a increase of 11.89% compared with last year, higher than the target fixed at the beginning of the year of realizing operating revenue no less than CNY4.2billion, and realized the net profit attributable to the parent company's shareholders of CNY532.44million with a increase of 24.20% compared with last year. The main works during the report period were shown as followed:

Firstly, the Company kept innovating, and insisted on leading the development of the Company with innovation. The Company implemented the restricted share incentive plan, which stimulated the vitality of the enterprise and promoted the improvement of performance; integrated and optimized Yantai local production system and the self-operated grape base in Yantai, which better played the advantages of equipment production capacity and improved personnel allocation, and strengthened profit orientation and quality orientation, achieving cost reduction and efficiency increase; achieved stage results in the screening of minority variety, the utilization of local yeast, the aging in Chinese oak and pottery, and light and simplified treatment; newly obtained one national invention patent and one utility model patent; developed and launched new products such as National-red Longyu, AFIP vast land series, Koya Loong-year zodiac brandy, Koya Pinzhongliquan XO, Kilikanoon 7-star Crown and Donnelly Kirin series; integrated and upgraded the “Changyu Quality Life +” member applet and “Changyu Wine Official Flagship Store” applet, which improved user experience and reduced the subscription cost and operation and maintenance expense.

Secondly, the Company deepened the construction of the business division system, which played a decisive role in improving the performance. In combination of its own products and market characteristics, each business division of the Company carried out multiform marketing activities such as banqueting promotion, product tasting, chateau experience and live sales based on different timing and different local conditions; strengthened the construction of marketing team system, and established the “marketing promotion” and “credit” evaluation system of distributors and affiliates; focused on the circle marketing as well as the specified action; accelerated the construction of product experience hall, achieving good results.

Thirdly, the Company adhered to the bottom-line consciousness and did not touch the red line. The Company continued to consolidate the sense of safety production and strengthened internal supervision and unannounced inspection; carried out special training on safety education at different positions, stages and items, and also took special investigation and rectification activities for major accident potentials; improved the construction of the safety management informatization platform and comprehensively improved the level of safety management and work efficiency, and no major accidents occurred throughout the year; strictly implemented the entity responsibility for food safety, and further standardized and institutionalized the management of production sites and key links through the establishment of the “quality day”, “daily control, weekly investigation, monthly scheduling” systems. With ingenuity to keep the original heart, the Company adhered to the concept of “product quality is the most fundamental” unwaveringly, and won more than 227 gold-and-above-level awards in the well-known local and abroad competitions last year; received the good news that “Koya” brandy was selected into the second batch of “outstanding Shandong products” brands; successfully completed the grape purchase and processing work, and significantly improved both the quantity and the quality of premium bulk wine.

Fourthly, the Company strengthened financial management and intensified the function of audit supervision. The Company completed a number of audit work such as key expense audit, profit authenticity audit, asset integrity and effectiveness audit and economic responsibility investigation,

and conducted punishment to relevant responsible person; strengthened fund management and increased interest income through structured deposits, agreed deposits and other ways; strengthened the financial supervision in overseas enterprises and helped solve the financing problems, ensuring the continuable operation of overseas enterprises.

(2) Revenue and cost

① Composition of operating revenue

Unit: CNY

| | 2023 | | 2022 | | Year-on-year increase or decrease (%) |
|---|---------------|---------------------------------|---------------|---------------------------------|---------------------------------------|
| | Amount | Proportion in operating revenue | Amount | Proportion in operating revenue | |
| Total operating revenue | 4,384,764,335 | 100% | 3,918,941,160 | 100% | 11.89% |
| Sector-classified | | | | | |
| Sector of liquor and alcoholic beverage | 4,384,764,335 | 100% | 3,918,941,160 | 100% | 11.89% |
| Product-classified | | | | | |
| Wine | 3,139,234,808 | 71.59% | 2,841,437,996 | 72.51% | 10.48% |
| Brandy | 1,152,841,194 | 26.30% | 990,847,691 | 25.28% | 16.35% |
| Tourism | 82,987,641 | 1.89% | 76,422,314 | 1.95% | 8.59% |
| Others | 9,700,692 | 0.22% | 10,233,159 | 0.26% | -5.20% |
| Area-classified | | | | | |
| Domestic | 3,761,534,794 | 85.79% | 3,320,757,555 | 84.74% | 13.27% |
| Overseas | 623,229,541 | 14.21% | 598,183,605 | 15.26% | 4.19% |
| Sales model- classified | | | | | |
| Distribution | 3,725,067,921 | 84.95% | 3,272,506,752 | 83.50% | 13.83% |
| Direct sales | 659,696,414 | 15.05% | 646,434,408 | 16.50% | 2.05% |

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 |
|---|-------------------|----------------|--------------|--|---|--|
| Industry-classified | | | | | | |
| Industry of liquor and alcoholic beverage | 4,384,764,335 | 1,786,983,657 | 59.25% | 11.89% | 6.32% | 3.74% |
| Product-classified | | | | | | |
| Wine | 3,139,234,808 | 1,285,794,140 | 59.04% | 10.48% | 4.18% | 4.02% |

| | | | | | | |
|-------------------------|---------------|---------------|--------|--------|--------|--------|
| Brandy | 1,152,841,194 | 460,505,979 | 60.05% | 16.35% | 13.32% | 1.80% |
| Tourism | 82,987,641 | 35,413,161 | 57.33% | 8.59% | 1.64% | 5.36% |
| Others | 9,700,692 | 5,270,377 | 45.67% | -5.20% | -2.06% | -3.69% |
| Area-classified | | | | | | |
| Domestic | 3,761,534,794 | 1,413,634,659 | 62.42% | 13.27% | 9.79% | 0.82% |
| Overseas | 623,229,541 | 373,348,998 | 40.09% | 4.19% | -8.62% | 7.88% |
| Sales model- classified | | | | | | |
| Distribution | 3,725,067,921 | 1,499,834,836 | 59.74% | 13.83% | 7.42% | 2.40% |
| Direct sales | 659,696,414 | 287,148,821 | 56.47% | 2.05% | 0.90% | 0.50% |

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 | 2023 | 2022 | Year-on-year increase or decrease (%) |
|---|--------------|------|--------|--------|---------------------------------------|
| Alcohol and alcoholic beverage industry | Sales volume | Ton | 95,557 | 93,004 | 2.75% |
| | Yield | Ton | 90,897 | 90,099 | 0.89% |
| | Inventory | Ton | 25,996 | 27,427 | -5.22% |
| Wine | Sales volume | Ton | 65,677 | 65,540 | 0.21% |
| | Yield | Ton | 62,772 | 66,269 | -5.28% |
| | Inventory | Ton | 17,037 | 16,441 | 3.63% |
| Brandy | Sales volume | Ton | 29,880 | 27,464 | 8.80% |
| | Yield | Ton | 28,125 | 23,830 | 18.02% |
| | Inventory | Ton | 8,959 | 10,986 | -18.45% |

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

Product categories

Unit: CNY

| Product category | Item | 2023 | | 2022 | | Year-on-year increase or decrease (%) |
|------------------|----------------------------|-------------|--------------------------------------|-------------|--------------------------------------|---------------------------------------|
| | | Amount | Proportion in the operating cost (%) | Amount | Proportion in the operating cost (%) | |
| Wine | Blending liquor | 656,311,928 | 51.04% | 607,707,572 | 49.24% | 8.00% |
| | Packing material | 318,464,336 | 24.77% | 306,725,909 | 24.85% | 3.83% |
| | Wages | 43,873,400 | 3.41% | 34,568,141 | 2.80% | 26.92% |
| | Manufacturing cost | 174,460,788 | 13.57% | 186,498,787 | 15.11% | -6.45% |
| | Contract performance costs | 92,683,688 | 7.21% | 98,684,162 | 8.00% | -6.08% |
| Brandy | Blending liquor | 216,764,039 | 47.07% | 197,677,900 | 48.64% | 9.66% |
| | Packing material | 143,038,953 | 31.06% | 126,089,609 | 31.03% | 13.44% |
| | Wages | 9,390,550 | 2.04% | 8,076,651 | 1.99% | 16.27% |
| | Manufacturing cost | 58,406,958 | 12.68% | 42,548,467 | 10.47% | 37.27% |
| | Contract performance costs | 32,905,479 | 7.15% | 31,994,291 | 7.87% | 2.85% |

Explanation

No

⑥ Whether there are changes of consolidation scope during the report periodYes No**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) | 285,095,992 |
| The proportion that total sales amount of the top five customers accounting for the annual total sales amount (%) | 6.50% |
| 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 st | 170,870,674 | 3.90% |

| | | | |
|-------|----------------------|-------------|-------|
| 2 | Rank 2 nd | 33,316,135 | 0.76% |
| 3 | Rank 3 rd | 28,625,515 | 0.65% |
| 4 | Rank 4 th | 28,373,917 | 0.65% |
| 5 | Rank 5 th | 23,909,751 | 0.55% |
| Total | -- | 285,095,992 | 6.50% |

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 | 378,880,684 |
| The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount | 27.73% |
| The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount | 6.15% |

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 st | 124,158,163 | 9.09% |
| 2 | Rank 2 nd | 83,991,232 | 6.15% |
| 3 | Rank 3 rd | 75,882,684 | 5.55% |
| 4 | Rank 4 th | 57,208,512 | 4.19% |
| 5 | Rank 5 th | 37,640,093 | 2.75% |
| Total | -- | 378,880,684 | 27.73% |

Other situation explanations of main suppliers

Available Not available

(3) Expense

Unit: CNY

| | 2023 | 2022 | Year-on-year increase or decrease (%) | Explanation of significant changes |
|--------------------|---------------|---------------|---------------------------------------|--|
| Sales expense | 1,239,782,776 | 1,028,966,138 | 20.49% | Mainly because of increased marketing expense resulting from increased market investment |
| Management expense | 303,990,858 | 287,605,531 | 5.70% | Mainly because of the increase in performance salary resulting from increased revenue |
| Financial expense | 11,083,459 | 7,256,207 | 52.74% | Mainly because of increase in loan interest borrowing by overseas companies. |
| Research and | 17,413,534 | 15,431,310 | 12.85% | Mainly due to the Company's increased |

| | | | | |
|---------------------|--|--|--|--|
| Development expense | | | | R&D efforts, the cost of testing and consumable materials increased. |
|---------------------|--|--|--|--|

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 | Project purpose | Project progress | Target | Predicted influence in the Company's future development |
|---|-----------------|------------------|--------|---|
| — | — | — | — | — |

The Company's research and development personnel

| | 2023 | 2022 | Percentage of changes (%) |
|---|-------|-------|---------------------------|
| Number of R&D personnel (person) | 139 | 139 | 0% |
| The proportion of the number of R&D personnel | 6.35% | 6.12% | 0.23% |
| Educational structure of R&D personnel | | | |
| Bachelor | 48 | 48 | 0% |
| Postgraduate | 25 | 25 | 0% |
| Doctor | 1 | 1 | 0% |
| Below Bachelor | 65 | 65 | 0% |
| Age structure of R&D personnel | | | |
| Under 30-year-old | 34 | 35 | -2.86% |
| 30-to 40-year-old | 41 | 41 | 0% |
| Above 40-year-old | 64 | 63 | 1.59% |

The investment of the Company's R&D

| | 2023 | 2022 | Percentage of changes (%) |
|--|------------|------------|---------------------------|
| R&D investment amount (CNY) | 17,413,534 | 15,431,310 | 12.85% |
| R&D investment as a percentage of operating income | 0.40% | 0.39% | 0.01% |
| 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 | 2023 | 2022 | Year-on-year increase or decrease (%) |
|--|---------------|---------------|---------------------------------------|
| Subtotal of cash inflow in operating activities | 4,619,240,588 | 3,929,156,504 | 17.56% |
| Subtotal of cash outflow in operating activities | 3,446,148,845 | 3,060,279,857 | 12.61% |
| Net amount of cash flow generated in operating activities | 1,173,091,743 | 868,876,647 | 35.01% |
| Subtotal of cash inflow in investment activities | 272,891,533 | 162,953,148 | 67.47% |
| Subtotal of cash outflow in investment activities | 596,232,219 | 306,991,362 | 94.22% |
| Net amount of cash flow generated in investment activities | -323,340,686 | -144,038,214 | -124.48% |
| Subtotal of cash inflow in financing activities | 677,271,426 | 641,331,495 | 5.60% |
| Subtotal of cash outflow in financing activities | 1,176,936,494 | 1,256,089,072 | -6.30% |
| Net amount of cash flow generated in financing activities | -499,665,068 | -614,757,577 | 18.72% |
| Net increase of cash and cash equivalents | 350,402,152 | 110,426,571 | 217.32% |

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 2023 | | At the beginning of 2023 | | Proportion increase or decrease (%) | Explanation on significant changes |
|------------------------------|--------------------|------------------------------------|--------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | Amount | Proportion in the total assets (%) | Amount | Proportion in the total assets (%) | | |
| Monetary funds | 2,217,693,647 | 16.63% | 1,651,454,115 | 12.54% | 4.09% | No significant changes |
| Receivables | 382,132,334 | 2.87% | 343,982,985 | 2.61% | 0.26% | No significant changes |
| Contract assets | | 0% | | 0% | 0% | No significant changes |
| Inventory | 2,765,390,587 | 20.74% | 2,903,398,515 | 22.04% | -1.30% | No significant changes |
| Investment real estate | 24,482,831 | 0.18% | 22,115,318 | 0.17% | 0.01% | No significant changes |
| Long-term equity investments | 38,285,620 | 0.29% | 41,371,385 | 0.31% | -0.02% | No significant changes |
| Fixed assets | 5,795,082,569 | 43.45% | 6,028,137,972 | 45.77% | -2.32% | No significant changes |
| Construction in progress | 3,323,241 | 0.02% | 40,934,161 | 0.31% | -0.29% | No significant changes |
| Right-of-use asset | 121,745,910 | 0.91% | 139,887,159 | 1.06% | -0.15% | No significant changes |
| Short-term borrowings | 364,981,445 | 2.74% | 389,378,480 | 2.96% | -0.22% | No significant changes |
| Contract liability | 175,278,849 | 1.31% | 165,727,991 | 1.26% | 0.05% | No significant changes |
| Long-term borrowings | 66,616,443 | 0.50% | 128,112,115 | 0.97% | -0.47% | No significant changes |
| Lease liability | 85,038,335 | 0.64% | 109,505,093 | 0.83% | -0.19% | 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 | 576,893,966 | Spain | Independent operation | The Company participates in making important decisions through board of directors and appoints CFO on financial management. | 21,492,701 | 4.33% | No |
| Indomita Wine Company Chile, S.p.A. | Establishment of joint venture | 566,831,085 | Chile | Independent operation | The Company participates in making important decisions through board of directors. | 11,018,541 | 4.25% | No |
| Kilikanoon Estate Pty., Ltd. | Acquisition of equity | 185,704,067 | Australia | Independent operation | The Company participates in making important decisions through board of directors. | (7,855,422) | 1.39% | No |
| Francs Champs Participations SAS | Sole proprietorship establishment | 219,388,533 | France | Independent operation | The Company participates in making important decisions through board of directors. | (2,057,375) | 1.65% | 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 |
|--|---|-----------|
| 46,150,000 | 126,590,000 | -63.54% |

(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 | 5,780,000 | 1,705,784,100 | Owned fund | 100% | 0 | 0 | — | 2017.04.22 | Please refer to <i>Resolution Announcement of Seventh Session Board of Directors 4th Meeting, Resolution</i> |

| | | | | | | | | | | | | |
|--|------------------|-----|--|------------|---------------|------------|------|---|---|---|------------|---|
| Yantai Changyu International Wine City Bottling Center | Self-constructed | Yes | | 1,150,000 | 1,136,520,000 | Owned fund | 100% | 0 | 0 | — | 2017.04.22 | <i>Announcement of Seventh Session Board of Directors 8th Meeting, Resolution</i> |
| Oak Barrel Procurement Project | Self-constructed | Yes | | 29,220,000 | 207,854,200 | Owned fund | 95% | 0 | 0 | — | 2021.04.28 | <i>Announcement of Seventh Session Board of Directors 10th Meeting, Resolution</i> |
| Intellectualized Upgrade and Renovation Project of Changyu Wine Culture Museum | Self-constructed | Yes | | 10,000,000 | 60,113,000 | Owned fund | 100% | 0 | 0 | — | 2022.04.27 | <i>Announcement of Eighth Session Board of Directors 4th Meeting, Resolution</i> |
| Infrastructure improvement project of Changyu Industrial Park | Self-constructed | Yes | | 0 | 0 | Owned fund | 100% | 0 | 0 | — | 2022.04.27 | <i>Announcement of Eighth Session Board of Directors 11th Meeting and Resolution</i> <i>Announcement of Ninth Session Board of Directors 5th Meeting disclosed on China Securities Journal, Securities Times and</i> |

| | | | | | | | | | | | | | |
|-------|----|----|----|------------|---------------|----|----|---|---|----|----|----|---|
| | | | | | | | | | | | | | CNINFO (http://www.cninfo.com.cn/) |
| Total | -- | -- | -- | 46,150,000 | 3,110,271,300 | -- | -- | 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

There is no sale of significant assets during the reporting period.

(2) Sale of significant equities

Available Not available

| Counter party | Sold equity | Sale date | Transaction price (CNY'0000) | The equity contributed to the net profit of the listed company from the beginning of the current period to the date of sale (CNY'0000) | The impact of the sale on the company | The proportion of the net profit contributed by equity sale to the total net profit of the listed company | Equity sale pricing principles | Whether it is a related transaction | The associated relationship with the counterparty | Whether all the equity involved have been transferred | Whether it is implemented as planned; If it is not implemented as planned, explain the reasons and the measures taken by the company | Disclosure date | Disclosure index |
|-----------------------------------|---|------------|------------------------------|--|--|---|--------------------------------|-------------------------------------|---|---|--|-----------------|---|
| Langfang Daxuan Trading Co., Ltd. | The equity of Langfang Development Zone Castel-Changyu Wine Co., Ltd. | 2023.12.19 | 2,228.88 | -120 | The Company will speed up the disposal of idle assets, reduce asset impairment losses, better recover funds, optimize asset structure and improve operation efficiency through this equity transaction | 0% | Negotiated pricing | No | - | Yes | Yes | 2023.11.10 | <i>The Announcement on Equity Transfer of Langfang Development Zone Castel-Changyu Wine Co., Ltd. (2023 Interim-031) disclosed on China Securities Journal, Securities Times and CNINFO (http://www.cninfo.com.cn/)</i> |

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 | 581,183,436 | 81,160,443 | 2,894,335,691 | 386,570,018 | 326,400,726 |
| Yantai Changyu Wine Sales Co., Ltd. | Subsidiary | Sales | CNY5million | 317,295,336 | 283,301,622 | 1,140,824,471 | 205,789,026 | 154,394,694 |
| Changyu Trading Co., Ltd. in Development Zone of Yantai | Subsidiary | Sales | CNY5million | 92,008,680 | 15,263,030 | 213,653,045 | 81,185,733 | 60,768,161 |
| Laizhou Changyu Wine Sales Co., Ltd. | Subsidiary | Sales | CNY1million | 66,295,721 | 1,077,871 | 293,739,285 | 60,622,706 | 45,467,030 |

Acquisition and disposal of subsidiaries during the report period

Available Not available

| Company name | Acquisition and disposal of subsidiaries during the reporting period | Impact on overall production, operation and performance |
|---|--|---|
| Langfang Development Zone Castel-Changyu Wine Co., Ltd. | Sale of equity | The Company will speed up the disposal of idle assets, reduce asset impairment losses, better recover funds, optimize asset structure and improve operation efficiency though this equity transaction |

Explanation on main holding and joint stock companies

Yantai Changyu Pioneer Wine Co., Ltd., Yantai Changyu Pioneer Wine Sales Co., Ltd. and French VASF Company transferred 100% equity of Langfang Development Zone Castel-Changyu Wine Co., Ltd. they hold to Langfang Daxuan Trading Co., Ltd..

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

In 2024, affected by the increased uncertainty caused by various factors, people's consumption sentiment will be more cautious; coupled with the strong squeeze from other alcoholic products, the growth in domestic wine consumption will be very difficult. Most wine enterprises are small, own poor profitability, and are unable to cultivate the market, hence the whole industry is still difficult to get out of the trough.

Although the development of the wine industry is currently encountering some difficulties, there are also lots of positive factors. President XI Jinping pointed out that ‘China’s wine industry has great prospects’ when he inspected Ningxia; The local governments of each wine-producing region are actively responding to support the development of the wine industry; There are many high-net-worth individuals in China, bringing a large base of high-end demand, and the atmosphere of wine consumption and the perception of the fact that wine is healthy are gradually forming; Young and trendy drinkers are on the rise, beginning to influence the future development trend of wine consumption; With the rise of the national tide, the consumption of domestic goods has gradually become a fashion; In the long run, the huge development potential of domestic wines has not changed and the industry will continue to focus on core brands.

In such a case of long-term coexistence of opportunities and challenges, as always, the Company believes 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, forming 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”, follow the work guideline of “invariable direction, unweakened strength, partial improvement, continuous innovation”, give full play to own advantages, and strive to achieve various operating targets.

(3) Management plan for the new year

In 2024, the Company will try its best to realize operating revenue of not less than CNY4.7billion and control the main operating costs and three period expenses below CNY3.7billion.

(4) Measures to be adopted by the Company

In the new year, the development of the wine industry is still not optimistic. The Company will lead and unite all employees, enhance confidence, face challenges, overcome difficulties, focus on target indicators, and do all the best to seek development. The company will mainly do the following work.

First, it is to continue to advocate and carry forward the spirit of service, the spirit of ingenuity and the spirit of fairness in the whole company. The Company will play the role of “waiter” well and firmly establish the “totally customer-centric” concept so as to better satisfy consumers; continue to carry forward the spirit of “ingenuity”, and constantly improve product quality; stick to the bottom line, do not touch the red line, and conduct the unselfish and strict management.

Second, it is to adhere to the “three guarantees, one promotion”. The Company will resolutely do well in the investigation and management of major accidents, increase safety inspection and

assessment efforts to ensure safe production; adhere to “the most strict management system, the most rigorous preventive measures, the most severe punishment” to ensure product quality and safety; adhere to the order driven, balance the off-peak season orders, to ensure that the production performance rate is steadily improved; adhere to compete with targeted products, actively listen to market feedback, give full play to the role of the winemaker system, and further improve product quality.

Third, it is to reduce the scale of assets and strengthen the assessment of profits. The Company will continue to strictly control capital expenditure and promote the disposal of idle assets; continue to strengthen the profit-oriented performance assessment and the assessment in the comprehensive gross margin and main products’ gross margin, striving to achieve stable profit growth.

Fourth, it is to further improve the sales division system. The business divisions involving high-end products will vigorously promote the breakthrough of certain circles, adhere to search for multi-shareholder, cross-border and empowered, and adhere to focus on tasting meetings, chateau tours and other direct and effective circle-marketing methods, in order to cultivate brand supporters and expand product consumer groups; Noble Dragon Division will continue to carry out banquet-based marketing and promotion, focus more on market share, and actively promote products into community stores and concentrated areas of colleges and universities to expand the wine “cake”; Brandy Division will increase the marketing of Koya and Liquan products so as to make brandy truly become a booster for the development of the Company; Online Division will do the best to increase the sales of sparkling wine, port wine, Vermouth and rhizoma polygonati alcoholic product, cultivate new growth points, adhere to the principle of “different specifications in same brand, different products in different brands”, in order to realize the supplement of online and offline sales; Tourism Division will focus on business development and enhance the experience of tourists (customers) at the same time, make tourists become customers, pay close attention to new forms of tourism, and strengthen cooperation with influential tourism companies, so as to achieve mutual drainage and promote the sales of proprietary products.

Fifth, it is to increase product innovation and management innovation, and strive to achieve new breakthroughs in various work. The Company will establish and improve the operation system of low-degree wine and new Liquan brandy products. To low-degree wine, the Company will adopt “new products, new system, new team, new scene” and strive to make the wine market bigger; to new Liquan brandy products, the Company will take deep cultivation in Shandong market, expand Shandong and Guangdong market, to lay the foundation for brandy structure adjustment and scale expansion. With “Chinese Terroir, Changyu Style, World Quality” as the quality orientation, the Company will make in-depth research on Chinese terroir (producing area), Chinese technology, Chinese expression and Chinese culture, strengthen product innovation as well as development and production of “Chinese characteristics” products. It will also do well in the implementation of the Company’s restricted share incentive plan to give better play to the long-term incentive mechanism of equity and stimulate the vitality of enterprise development; optimize the shareholding structure of overseas enterprises to promote the development of enterprises; establish a “mutual assistance” relationship in technology, equipment and personnel between Yantai local enterprises and off-site chateaux, make overall consideration and comprehensive policies, give full play to production synergies, and improve per capital work efficiency; increase the recruitment and introduction of

middle-and-above-level personnel, especially city managers and provincial managers who are helpful for market circle marketing breakthroughs, and expand the team of innovative marketing talents; make innovation in media publicity, deal with the current and long-term relationship, fully integrate the relationship between the “Changyu” parent brand and each sub-brand, and further enhance the brand influence of century-old Changyu; solve the problem of “landing” of the brand and “reaching” of core consumers.

(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 |
|----------------|---------------------------------|-------------------|--------------------------|--|--|---|
| 2023.05.26 | The meeting room of the Company | Field research | Institution | Mr. Weiliang Tang from BOCI Securities Limited, Mr. Lei Kan from Northeast Securities, Ms. Yuelang Zhou from China International Capital Corporation Limited, Ms. Qing Li from Rosefinch Fund Management Co. Ltd., Mr. Wei Yan from Fullgoal Fund Management Company Limited and Ms. Meng Wang from Pingan Securities. | The recent production and operation situation of the Company | <i>The Record of Investor-relations Activity</i> disclosed on Shenzhen Stock Exchange |
| 2023.05.26 | The meeting room of the Company | Field research | Institution | Minority shareholders | The recent production and operation situation of the Company | <i>The Record of Investor-relations Activity</i> disclosed on Shenzhen Stock Exchange |

13. Implementation of the “The Improvement Both on Quality and Return” action plan

Whether the company disclosed the “The Improvement Both on Quality and Return” action plan

Yes No

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 interested parties

The Company could fully respect and safeguard the legal rights of the party with relevant benefit, cooperate actively with the interested parties, 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 *Opinions on Strengthening the Management of Food Safety at Production Sites* and *Provisions on Implementing the Supervision and Management of Food Safety Main Body Responsibility*, revised and improved several rules and regulations such as *Measures for the Administration of Labor Contracts*.

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 |
|-----------------------------------|------------------------------|----------------------------------|----------------|-----------------|---|
| 2022 Annual Shareholders' Meeting | Annual Shareholders' Meeting | 60.77% | 2023.05.26 | 2023.05.27 | According to the voting results, the meeting deliberated and approved the <i>2022 Annual Board of Directors' Work Report, 2022 Annual Board of Supervisors' Work Report, 2022 Annual Report, Proposal on 2022 Annual Profit Distribution, Proposal on 2023 Annual Financial Budget, Proposal on Appointing Certified Public Accountants Firm, Proposal on the "Company's Restricted Share Incentive Plan in 2023 (Draft)" and Abstract, Proposal on Formulating the Company's "Assessment Management Method of Restricted Share Incentive Plan in 2023" and Proposal on Authorization of Shareholders' Meeting to Board of Directors to Promote Issues Relevant with the Company's Restricted Share Incentive Plan in 2023</i> by disclosed ballot. |

(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 | Gender | Age | Post | Status | 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 | M | 59 | Chairman | Incumbent | 2002.05.20 | 2025.05.28 | 37,800 | 241,800 | | | 279,600 | Secondary market purchases and was granted restricted shares |
| SUN Jian | M | 57 | Director | Incumbent | 2019.05.17 | 2025.05.28 | 90,000 | 240,000 | | | 330,000 | Secondary market purchases and was granted restricted shares |
| LI Jiming | M | 57 | Director | Incumbent | 2019.05.17 | 2025.05.28 | | 160,000 | | | 160,000 | Was granted restricted shares |
| CHEN Dianxin | F | 57 | Director | Incumbent | 2019.05.17 | 2024.02.22 | | | | | | |
| Aldino Marzorati | M | 71 | Director | Incumbent | 2006.12.07 | 2025.05.28 | | | | | | |
| JIANG Jianxun | M | 57 | Director | Incumbent | 2022.05.27 | 2025.05.28 | | 160,000 | | | 160,000 | Was granted restricted shares |
| Stefano Battioni | M | 65 | Director | Incumbent | 2022.05.27 | 2025.05.28 | | | | | | |
| Enrico Sivieri | M | 55 | Director | Incumbent | 2019.05.17 | 2025.05.28 | | | | | | |
| CHIANG Yun | F | 56 | Director | Incumbent | 2020.06.19 | 2025.05.28 | | | | | | |
| DUAN Changqing | M | 59 | Independent director | Incumbent | 2019.05.17 | 2025.05.28 | | | | | | |
| LIU Huirong | F | 60 | Independent director | Incumbent | 2019.05.17 | 2025.05.28 | | | | | | |
| LIU Qinglin | M | 60 | Independent director | Incumbent | 2019.07.02 | 2025.05.28 | | | | | | |
| YU Renzhu | M | 45 | Independent director | Incumbent | 2020.05.27 | 2025.05.28 | | | | | | |
| WANG Zhuquan | M | 58 | Independent director | Incumbent | 2022.05.27 | 2025.05.28 | | | | | | |
| LENG Bin | M | 61 | Chairman of the Board of Supervisors | Incumbent | 2022.05.27 | 2025.05.28 | | | | | | |
| LIU Zhijun | M | 43 | Supervisor | Incumbent | 2016.05.26 | 2025.05.28 | | | | | | |
| ZHENG Wenping | F | 55 | Supervisor | Incumbent | 2022.05.27 | 2025.05.28 | | | | | | |
| SUN Jian | M | 57 | General manager | Incumbent | 2018.01.10 | 2025.06.10 | | | | | | |

| | | | | | | | | | | | | |
|---------------|----|----|--|-----------|------------|------------|---------|-----------|---|---|-----------|-------------------------------|
| LI Jiming | M | 57 | Deputy general manager | Incumbent | 2019.05.28 | 2025.06.10 | | | | | | |
| JIANG Hua | M | 60 | Deputy general manager | Incumbent | 2001.09.14 | 2025.06.10 | 10,000 | 160,000 | | | 170,000 | Was granted restricted shares |
| PENG Bin | M | 57 | Deputy general manager | Incumbent | 2018.01.10 | 2025.06.10 | | 160,000 | | | 160,000 | Was granted restricted shares |
| JIANG Jianxun | M | 57 | Deputy general manager and Board secretary | Incumbent | 2019.05.28 | 2025.06.10 | | | | | | |
| PAN Jianfu | M | 48 | General manager assistant | Incumbent | 2018.04.19 | 2025.06.10 | | 100,000 | | | 100,000 | Was granted restricted shares |
| KONG Qingkun | M | 51 | General manager assistant | Incumbent | 2022.06.09 | 2025.06.10 | | 100,000 | | | 100,000 | Was granted restricted shares |
| LIU Shilu | M | 49 | General manager assistant | Incumbent | 2018.04.19 | 2025.06.10 | | 100,000 | | | 100,000 | Was granted restricted shares |
| XIAO Zhenbo | M | 47 | General manager assistant | Incumbent | 2018.04.19 | 2025.06.10 | | 100,000 | | | 100,000 | Was granted restricted shares |
| Total | -- | -- | -- | -- | -- | -- | 137,800 | 1,521,800 | 0 | 0 | 1,659,600 | -- |

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

Changes of directors, supervisors and senior managers of the company

Available Not available

(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, 59, 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 Chairman of Yantai Changyu Group Co., Ltd. and the board director and the Chairman of the Company now.

Mr. Jian Sun, male, 57, 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, 57, 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, 57, Chinese, MBA and accountant, served as the Financial Manager of the Company from May 20, 2002 to January 10, 2018. He now serves as the board director, Deputy General Manager and Board Secretary of the Company.

Ms. Dianxin Chen, female, 57, Chinese, with master degree of the Party School; from July 1985 to February 2024, 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, the General Manager of Yantai Guofeng Investment Holdings Group Co., Ltd. and the director of Yantai Changyu Group Co., Ltd. and the Company. She resigned as a director of the Company on February 22, 2024.

Mr. Aldino Marzorati, male, 71, 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, 65, 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, 55, 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, 56, 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, 60, 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, 59, 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, 60, 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, 45, 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 the Company.

Mr. Zhuquan Wang, male, 58, 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, 2010 to May 12, 2013 and from May 23, 2014 to May 17, 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 the Company and Qingdao DoubleStar Co., Ltd..

② Members of board of supervisors

Mr. Bin Leng, male, 61, 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 Zhibao Medical Health Wine Co., Ltd..

Mr. Zhijun Liu, male, 43, 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 Holdings Group Co., Ltd.; from June 2020 to present, he serves as a member of the Party Committee and the deputy general manager of Yantai Guofeng Investment Holdings Group Co., Ltd. He now is a supervisor of the Company.

Ms. Wenping Zheng, female, Chinese, 55, bachelor degree. She now is a supervisor of the Company.

③ Other senior executives

Mr. Hua Jiang, male, 60, Chinese, master degree, senior engineer, has been serving as the Deputy General Manager of the Company since September 14, 2001.

Mr. Bin Peng, male, 57, 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, 48, Chinese, 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, 51, 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, 49, Chinese, 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, 47, Chinese, 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 & 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 | 2023.12.11 | 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 Zhibao Medical Health Wine 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 | Gender | Age | Post | Status | Total reward from the Company before tax | Whether get reward from related parties of the Company |
|------------------|--------|-----|--|-----------|--|--|
| ZHOU Hongjiang | M | 59 | Chairman | Incumbent | 179.43 | No |
| SUN Jian | M | 57 | Director and General Manager | Incumbent | 166.3 | No |
| LI Jiming | M | 57 | Director and Deputy General Manager | Incumbent | 127.78 | No |
| JIANG Jianxun | M | 57 | Director, Deputy General Manager and Board secretary | Incumbent | 124.96 | No |
| CHEN Dianxin | F | 57 | Director | Incumbent | 0 | Yes |
| Aldino Marzorati | M | 71 | Director | Incumbent | 0 | No |
| Stefano Battioni | M | 65 | Director | Incumbent | 0 | No |
| Enrico Sivieri | M | 55 | Director | Incumbent | 0 | No |

| | | | | | | |
|----------------|----|----|-------------------------------------|-----------|----------|-----|
| CHIANG Yun | F | 56 | Director | Incumbent | 0 | No |
| DUAN Changqing | M | 59 | Independent Director | Incumbent | 10 | No |
| LIU Huirong | F | 60 | Independent Director | Incumbent | 10 | No |
| LIU Qinglin | M | 60 | Independent Director | Incumbent | 10 | No |
| YU Renzhu | M | 45 | Independent Director | Incumbent | 10 | No |
| WANG Zhuquan | M | 58 | Independent Director | Incumbent | 10 | No |
| LENG Bin | M | 61 | Chairman of the Board of Supervisor | Incumbent | 0 | Yes |
| ZHENG Wenping | F | 55 | Supervisor | Incumbent | 30.33 | No |
| Liu Zhijun | M | 43 | Supervisor | Incumbent | 0 | Yes |
| JIANG Hua | M | 60 | Deputy General Manager | Incumbent | 134.07 | No |
| PENG Bin | M | 58 | Deputy General Manager | Incumbent | 130.11 | No |
| PAN Jianfu | M | 48 | General Manager Assistant | Incumbent | 79.87 | No |
| KONG Qingkun | M | 51 | General Manager Assistant | Incumbent | 86.56 | No |
| LIU Shilu | M | 49 | General Manager Assistant | Incumbent | 84.11 | No |
| XIAO Zhenbo | M | 47 | General Manager Assistant | Incumbent | 91.07 | No |
| Total | -- | -- | -- | -- | 1,284.59 | -- |

Other information note

Available Not available

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 Ninth Session Board of Directors 4 th Meeting | 2023.01.16 | 2023.01.17 | The meeting deliberated and approved <i>Proposal on Equity Transfer of Changyu Icewine Co., Ltd. Liaoning as Transferee</i> by disclosed ballot. |
| The Ninth Session Board of Directors 5 th Meeting | 2023.04.11 | 2023.04.13 | The meeting deliberated and approved <i>2022 Annual Board of Directors' Work Report, 2022 Annual General Manager's Work Report, 2022 Annual Report, Draft Proposal on 2022 Annual Profit Distribution, Proposal on 2022 Annual Performance Assessment Result of the Company's Senior Executives, 2022 Annual Self Assessment Report on Internal Control, 2022 Annual Social Responsibility Report, Proposal on Relevant Issues of Convening 2022 Annual Shareholders' Meeting, Proposal on Appointment of Certified Public Accounting Firm, Proposal on 2023 Annual Capital Expenditure Plan, Proposal on 2023 Annual Routine Related Transaction and Proposal on 2023 Annual Financial Budget</i> by disclosed ballot. |
| The Ninth Session Board of Directors 6 th Meeting | 2023.04.26 | 2023.04.28 | The meeting deliberated and approved <i>Proposal on 2023 First Quarter Report, Proposal on the Company's "Restricted Share Incentive Plan in 2023 (Draft)" and Abstract, Proposal on Formulating the Company's "Assessment Management Method of Restricted Share Incentive Plan in 2023" and Proposal on Authorization of Shareholders' Meeting to Board of Directors to Promote Issues Relevant with the Company's Restricted Share Incentive Plan in 2023</i> by disclosed ballot. |
| The First Interim Board of Directors Meeting in 2023 | 2023.06.26 | 2023.06.27 | The meeting deliberated and approved <i>Proposal on Items of Adjustments to Restricted Share Incentive Plan in 2023 and Proposal on Granting Restricted Shares to Incentive Objects Involved in Restricted Share Incentive Plan in 2023</i> by disclosed ballot. |

| | | | |
|--|------------|------------|---|
| The Ninth Session Board of Directors 7 th Meeting | 2023.08.29 | 2023.08.31 | The meeting deliberated and approved <i>2023 Semi-annual Report, Proposal on 2023 Semi-Annual Profit Distribution, Proposal on Disposal of Idle Office Property and Proposal on Providing Guarantee for Kilikanoon Estate Pty Ltd in Australia</i> by disclosed ballot. |
| The Ninth Session Board of Directors 8 th Meeting | 2023.10.26 | 2023.10.27 | The meeting deliberated and approved <i>2023 Third Quarter Report</i> by disclosed ballot. |
| The Second Interim Board of Directors Meeting in 2023 | 2023.11.09 | 2023.11.10 | The meeting deliberated and approved <i>Proposal on Equity Transfer of Langfang Development Zone Castel-Changyu Wine Co., Ltd.</i> by disclosed ballot. |
| The Third Interim Board of Directors Meeting in 2023 | 2023.12.12 | 2023.12.13 | The meeting deliberated and approved <i>Proposal on Partial Equity Acquisition of Kilikanoon Estate Pty Ltd in Australia</i> by disclosed ballot. |

(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 | On-site 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 | 8 | 4 | 4 | 0 | 0 | No | 1 |
| SUN Jian | 8 | 4 | 4 | 0 | 0 | No | 1 |
| LI Jiming | 8 | 4 | 4 | 0 | 0 | No | 0 |
| JIANG Jianxun | 8 | 4 | 4 | 0 | 0 | No | 1 |
| CHEN Dianxin | 8 | 4 | 4 | 0 | 0 | No | 0 |
| Aldino Marzorati | 8 | 2 | 4 | 2 | 0 | No | 0 |
| Stefano Battioni | 8 | 3 | 4 | 1 | 0 | No | 0 |
| Enrico Sivieri | 8 | 3 | 4 | 1 | 0 | No | 0 |
| CHIANG Yun | 8 | 4 | 4 | 0 | 0 | No | 0 |

| | | | | | | | |
|----------------|---|---|---|---|---|----|---|
| LUO Fei | 8 | 4 | 4 | 0 | 0 | No | 0 |
| DUAN Changqing | 8 | 4 | 4 | 0 | 0 | No | 0 |
| LIU Huirong | 8 | 4 | 4 | 0 | 0 | No | 0 |
| LIU Qinglin | 8 | 4 | 4 | 0 | 0 | No | 1 |
| YU Renzhu | 8 | 4 | 4 | 0 | 0 | No | 0 |
| WANG Zhuquan | 8 | 4 | 4 | 0 | 0 | No | 0 |

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

No

(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

The explanation on the directors' propositions are accepted or are not accepted by the Company

The proposition that the relevant directors of the Company put forward the implementation of equity incentive for the core business personnel of the Company has been adopted.

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, WANG Zhuquan, CHEN Dianxin, JIANG Jianxun, Enrico Sivieri | 1 | 2023.04.11 | The meeting deliberated and approved the <i>2022 Annual Report, Draft Proposal on 2022 Annual Profit Distribution, Proposal on Appointing Certified Public Accountants Firm, 2022 Annual Self Assessment Report on Internal Control and 2023 Annual Internal Audit Plan.</i> | During the reporting period, the members of the Audit Committee provided advice and suggestions in guiding the internal audit work, Appointing an external audit firm, supervising and 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. | No | No |
| | DUAN Changqing, LIU Huirong, LIU Qinglin, YU Renzhu, WANG Zhuquan, CHEN Dianxin, JIANG Jianxun, Enrico Sivieri | 1 | 2023.08.29 | The meeting deliberated and approved the <i>2023 Semi-Annual Report and Proposal on 2023 Semi-Annual Profit Distribution.</i> | The members of the audit committee made reasonable suggestions on the distribution of profits. | | |
| Emolument Committee | DUAN Changqing, LIU Huirong, LIU Qinglin, YU Renzhu, WANG Zhuquan, CHIANG Yun, JIANG Jianxun, Aldino Marzorati | 1 | 2023.04.11 | The meeting deliberated and approved the <i>Proposal on 2022 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 profit assessment. | No | No |
| | DUAN Changqing, LIU Huirong, LIU Qinglin, YU Renzhu, WANG Zhuquan, | 1 | 2023.04.26 | The meeting deliberated and approved the <i>Proposal on the Company's "Restricted Share Incentive Plan in</i> | The competition in the wine industry is becoming increasingly fierce, and it is necessary to | | |

| | | | | | | | |
|--|---|--|--|--|--|--|--|
| | CHIANG Yun, JIANG Jianxun, Aldino Marzorati | | | <i>2023 (Draft)” and Abstract, Proposal on Formulating the Company’s “Assessment Management Method of Restricted Share Incentive Plan in 2023” and Proposal on Verifying “List of Incentive Objects Involved in Restricted Share Incentive Plan in 2023 of Yantai Changyu Pioneer Wine Co., Ltd.”.</i> | increase the incentive to mobilize the enthusiasm of the management team and the core members. The incentive plan should take into account both short-term and long-term factors and set the performance indicators scientifically and reasonably. | | |
|--|---|--|--|--|--|--|--|

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) | 654 |
| Incumbent staff number of major subsidiary companies at the end of reporting period (people) | 1,534 |
| Total incumbent staff at the end of reporting period (people) | 2,188 |
| Total staff getting paid in current period (people) | 2,188 |
| Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people) | 0 |
| Specialty constitution | |
| Category | Number of people (people) |
| Production staff | 654 |
| Sales staff | 1,053 |
| Technical staff | 127 |
| Financial staff | 103 |
| Administrative staff | 251 |
| Total | 2,188 |
| Education degree | |
| Category | Number (People) |
| Postgraduate and above | 98 |
| Bachelor | 855 |
| Junior College | 672 |
| Technical secondary school or Senior high school | 398 |
| Junior high school and below | 165 |
| Total | 2,188 |

(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

In 2024, the Company plans to enhance the core theme of “leadership and execution” of employees and cultivate more key employees with “high quality and high skills” based on the enterprise spirit

of “patriotism, dedication, quality and striving for excellence”. The Company plans to customize personalized and systematic courses for different positions and maintain quarterly training for employees at all levels for 1-2 times, each time for 1 day, and ensure that the training rate of employees of the Company could reach to 100% during the year.

Enhance strategic core leadership for corporate-level leaders. The plan is to improve the political position of the leading group through the form of “holding meetings instead of training and holding the central group study of the leadership team”. By analyzing the frontier trends of the wine industry at domestic and abroad, timely implementation of enterprise reform to achieve high-quality operation of the company, and empower the development of the national wine industry.

Improve team leadership and decision-making ability for middle-level management personnel. The middle-level management personnel learn how to lead and make decisions scientifically through video courses and outdoor activities combined with professional books. Encourage middle-level management personnel to participate in university correspondence, self-examination or MBA and other advanced degrees to ensure that the company’s cadre team to adapt to corporate strategic planning, strengthen decision-making and coordination abilities and better lead team members to work.

Improve their executive ability and innovation for employees whose level are or below section chief. The plan is to combine on-site training, online teaching, theoretical self-study and other forms. Enhance the scene simulation and practical ability of tourism, technology and skill personnel through on-site training. Improve the knowledge base of business modules and case analysis ability of administrative personnel through online teaching. Improve employees’ professional knowledge reserve level by theoretical self-study.

The training for new employees is mainly based on on-site teaching and outreach training. It aims to improve the basic knowledge of new employees in labor contract, production safety, technology, finance and other professional aspects and quickly integrate into the enterprise. To enhance the unity and cooperation ability and physical fitness of new employees through outreach training, temper their strong will, and create excellent “successors” of Changyu.

(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 2022 Annual Shareholders’ Meeting convened on May 26, 2023 by the Company, the Company’s 2022 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), 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 June 13, 2023, the Company published *the Implementation Announcement of 2022 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 June 16, 2023 and on June 19, 2023; the last trading day, the ex-dividend day and the share registration day of B Share was respectively on June 16, 2023, on June 19, 2023 and on June 21, 2023.

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 June 16, 2023 and all B Share shareholders registered at CSDC Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of June 21, 2023 (the last trading day is June 16, 2023).

This dispatching has already been completed in June 2023. 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 |
| If the company does not pay cash dividend, it should disclose the specific reasons and the next steps to enhance the return level of investors: | The company had paid cash dividend |
| 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) | 5 |
| The cardinal number of the capital stocks for the preliminary distribution scheme (share) | 692,249,559 |
| Cash dividend distribution (CNY) (including tax) | 346,124,780 |

| | |
|--|-------------|
| Amount of cash dividends (eg. shares buy-back) (CNY) in other ways | 0 |
| Total cash dividend distribution (CNY) (including other ways) | 346,124,780 |
| Attributable profit (CNY) | 532,438,907 |
| 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 2023 is CNY532,438,907 and the net profit of the parent company in financial statement in 2023 is CNY412,140,101. According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company at the end of 2023 as following:

Unit: CNY

| | Consolidation | Parent company |
|---|---------------|----------------|
| Year-end undistributed profit | 9,273,629,318 | 9,686,541,315 |
| Among which: Total comprehensive income in 2023 | 532,438,907 | 412,140,101 |
| Undistributed profit carried forward from beginning of the year | 9,049,649,211 | 9,582,860,014 |
| Dividends distribution of 2022 | 308,458,800 | 308,458,800 |
| Legal earned surplus reserve to be drawn | 0 | 0 |

According to regulation of 157th 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 2024, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2023 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 692,249,559 shares at total up to December 31, 2023, the Company plans to pay CNY5 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY346,124,780. 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 2023 Annual Shareholders' Meeting.

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

Available Not available

(1) Equity Inventive

| NO. | Deliberative time | Relevant meeting sessions | Implementation overview | Disclosure index |
|-----|-------------------------|---|---|---|
| 1 | 2023.04.26 | The Ninth Session Board of Directors 6 th Meeting | The meeting deliberated and approved <i>Proposal on the Company's "Restricted Share Incentive Plan in 2023 (Draft)" and Abstract, Proposal on Formulating the Company's "Assessment Management Method of Restricted Share Incentive Plan in 2023"</i> and <i>Proposal on Authorization of Shareholders' Meeting to Board of Directors to Promote Issues Relevant with the Company's Restricted Share Incentive Plan in 2023</i> . | Please refer to the resolution of board of directors (announcement no. : 2023- Interim 9) disclosed on April 28, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 2 | 2023.04.26 | The Eighth Session Board of Supervisors 5 th Meeting | The meeting deliberated and approved <i>Proposal on the Company's "Restricted Share Incentive Plan in 2023 (Draft)" and Abstract, Proposal on Formulating the Company's "Assessment Management Method of Restricted Share Incentive Plan in 2023"</i> and <i>Proposal on Verifying "List of Incentive Objects Involved in Restricted Share Incentive Plan in 2023 of Yantai Changyu Pioneer Wine Co., Ltd."</i> . | Please refer to the resolution of board of supervisors (announcement no.: 2023- Interim 10) disclosed on April 28, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 3 | 2023.05.04 - 2023.05.14 | | The names and positions of incentive objects involved in this incentive plan were publicized within the Company | |
| 4 | 2023.05.18 | | The Board of Supervisors issued the <i>Explanation and Verification Opinions on the Disclosure of the List of incentive Objects of the Restricted Share Incentive Plan in 2023</i> on the review and publicity of the list of incentive objects. | Please refer to the resolution of board of supervisors (announcement no. : 2023- Interim 16) disclosed on May 19, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 5 | 2023.05.26 | 2022 Annual Shareholders' Meeting | The meeting deliberated and approved <i>Proposal on the Company's "Restricted Share Incentive Plan in 2023 (Draft)" and Abstract, Proposal on Formulating the Company's "Assessment Management Method of Restricted Share Incentive Plan in 2023"</i> and <i>Proposal on Authorization of Shareholders' Meeting to Board of Directors to Promote Issues Relevant with the Company's Restricted Share Incentive Plan in 2023</i> . | Please refer to the resolution of shareholders' meeting (announcement no.: 2023- Interim 18) disclosed on May 27, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 6 | 2023.06.26 | The First Interim Board of Directors Meeting in 2023 | The meeting deliberated and approved <i>Proposal on Items of Adjustments to Restricted Share Incentive Plan in 2023</i> and <i>Proposal on Granting</i> | Please refer to the resolution of board of directors (announcement no.: 2023- Interim 22) disclosed on |

| | | | | |
|---|------------|--|---|---|
| | | | <i>Restricted Shares to Incentive Objects Involved in Restricted Share Incentive Plan in 2023</i> | June 27, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 7 | 2023.06.26 | The First Interim Board of Supervisors Meeting in 2023 | The meeting deliberated and approved <i>Proposal on Items of Adjustments to Restricted Share Incentive Plan in 2023 and Proposal on Granting Restricted Shares to Incentive Objects Involved in Restricted Share Incentive Plan in 2023</i> | Please refer to the resolution of board of supervisors (announcement no.: 2023- Interim 23) disclosed on June 27, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 8 | 2023.07.10 | | Announced the <i>Announcement on the Granting of Restricted Shares to Incentive Objects</i> | Please refer to the announcement (announcement no.: 2023- Interim 25) disclosed on July 10, 2023 on CNINFO (http://www.cninfo.com.cn/) |
| 9 | 2023.07.19 | | After review and confirmation by Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the registration of the first grant of restricted shares was completed. The <i>Announcement on the Grant Results of the 2023 Restricted Share Incentive Plan</i> was published. | Please refer to the announcement (announcement no.: 2023- Interim 26) disclosed on July 19, 2023 on CNINFO (http://www.cninfo.com.cn/) |

Equity incentives granted to directors and senior executives of the Company

 Available Not available

| Name | Position | Number of share options held at the beginning of the year | Number of new share options granted during the reporting period | Number of feasible shares during the reporting period | Number of exercised shares during the reporting period | The exercise price of exercised shares during the reporting period (CNY/share) | Number of share options held at the end of the period | The marketing price at the end of the reporting period (CNY/share) | Number of restricted shares held at the beginning of the period | Number of shares unlocked during the period | Number of new restricted share granted during the reporting period | Grant price of restricted share (CNY/share) | Number of restricted share held at the end of the period |
|----------------|-------------------------------------|---|---|---|--|--|---|--|---|---|--|---|--|
| ZHOU Hongjiang | Chairman | | | | | | | | | | 240,000 | 15.24 | 240,000 |
| SUN Jian | Director and General Manager | | | | | | | | | | 210,000 | 15.24 | 210,000 |
| LI Jiming | Director and Deputy General Manager | | | | | | | | | | 160,000 | 15.24 | 160,000 |

| | | | | | | | | | | | | | |
|----------------|---|---|---|---|---|----|---|----|---|---|-----------|-------|-----------|
| JIANG Jianxun | Director, Deputy General Manager, Board secretary | | | | | | | | | | 160,000 | 15.24 | 160,000 |
| JIANG Hua | Deputy General Manager | | | | | | | | | | 160,000 | 15.24 | 160,000 |
| PENG Bin | Deputy General Manager | | | | | | | | | | 160,000 | 15.24 | 160,000 |
| PAN Jianfu | General Manager Assistant | | | | | | | | | | 100,000 | 15.24 | 100,000 |
| KONG Qingkun | General Manager Assistant | | | | | | | | | | 100,000 | 15.24 | 100,000 |
| LIU Shilu | General Manager Assistant | | | | | | | | | | 100,000 | 15.24 | 100,000 |
| XIAO Zhenbo | General Manager Assistant | | | | | | | | | | 100,000 | 15.24 | 100,000 |
| Total | -- | 0 | 0 | 0 | 0 | -- | 0 | -- | 0 | 0 | 1,490,000 | -- | 1,490,000 |
| Note (if have) | None | | | | | | | | | | | | |

Evaluation mechanisms and incentives for senior executives

According to the *Compensation and Performance Appraisal Measures of the Company's Senior Executives* for the period from 2022 to 2024 approved by the Board of Directors, the compensation of senior executive includes basic compensation (fixed compensation+performance compensation), excess profit commission and long-term incentive (deferred cash).

The Company has continuously improved the performance appraisal mechanism, and the evaluation and incentive of senior executives are linked to the Company's performance and personal work results. At the beginning of the year, according to the overall development strategy and annual business objectives of the Company, the annual performance indicators and job responsibilities of senior executives are determined according to the division of work. The annual performance and work results are presented by the Emolument Committee of the Board of Directors. After the

deliberation and approval of the assessment results, the performance assessment of senior executives is carried out, and the rewards and punishments are honored.

(2) The implementation of employee shareholding plan

Available Not available

(3) Other employee incentives

Available Not available

On June 26, 2023, the restricted share incentive plan was first granted and registered. In addition to the above directors and senior executives, the company also granted 5.2956 million restricted shares to 193 middle-level managers and core personals.

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 *2023 Annual Self-Assessment Report on Internal Control* disclosed in *Securities Times*, *China Securities Journal* and *www.cninfo.com.cn* on April 12, 2024.

(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 | 2024.04.12 |
| Disclosure index for full text of the internal control self-assessment report | 2023 Annual Self-Assessment Report on Internal Control was disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company on April 12, 2024 |
| Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements | 81.62% |
| Percentage of unit operating income included in scope of the assessment accounting for the Company's operating income of consolidated financial statements | 85.68% |

Standards of Defect Identification

| Category | Financial report | Non-financial report |
|----------------------|---|--|
| Qualitative criteria | <p>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 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</p> | <p>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 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</p> |

| | | |
|--|---|---|
| | 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. | 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. |
| Quantitative criterion | <p>For total assets/Owner's equity:</p> <p>① Significant defects: misstatements $\geq 1\%$, or</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$, or</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For operation revenue:</p> <p>① significant defects: misstatements $\geq 1\%$, or</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$, or</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For pretax profit:</p> <p>① Significant defects: misstatements $\geq 5\%$, or</p> <p>② Major defects: $2\% \leq \text{misstatements} < 5\%$, or</p> <p>③ General defects: misstatements $< 2\%$</p> | <p>For direct property loss:</p> <p>① Significant defects: More than CNY10million</p> <p>② Major defects: CNY1million-CNY10million (including CNY1million)</p> <p>③ General defects: Less than CNY1million</p> |
| 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, 2023. |
|--|

| | |
|---|---|
| Disclosure of the internal control audit report | Disclosure |
| Disclosure date for the full text of the internal control audit report | 2024.04.12 |
| Disclosure index for the full text of the internal control audit report | <i>2023 Annual Self-Assessment Report on Internal Control</i> was disclosed on <i>Securities Times</i> , <i>China Securities Journal</i> and www.cninfo.com.cn by the Company on April 12, 2024. |
| 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, inorganized 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 ³ /d | 120m ³ /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, SO₂ and NO_x 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 the *2023 Environmental, Social and Regulatory Report* (ESG) disclosed on CNINFO (www.cninfo.com.cn) by the Company on April 12, 2024.

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

Please refer to the “Charity and Community Involvement” section of *2023 Environmental, Social and Regulatory Report* (ESG) disclosed on CNINFO (www.cninfo.com.cn) by the Company on April 12, 2024.

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 would 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 | The CNY231,768,615 that was not used for publicity of trademarks and contract products as promised had offset by the four-year trademark use fee from 2019 to 2022. The shortfall was filled in one time in 2023. |
| Commitment under timely implementation or not | Yes | | | | | |
| Whether or not to have | None | | | | | |

| | |
|---|--|
| specific reasons of the unimplemented commitment and next steps | |
|---|--|

(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

For changes in the scope of the consolidated statements during the reporting period compared to the previous year's financial report, please refer to Note "VII Change of consolidation scope" 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 | 5 |
| 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 | 5 |
| 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 | 8,399 | 15.71% | 9,000 | No | Cash | No | 2023.04.13 | <i>Anticipated Announcement on 2023 Annual Routine Related Transaction disclosed in China Securities Journal, Securities Times and CNINFO in 2023</i> |
| Total | | | | -- | -- | 8,399 | -- | 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) | | | | No | | | | | | | | | |

(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

The company has no other significant related party transactions during the reporting period.

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 for lease situation

On January 1, 2022, the Company renewed the Space Lease Agreement with the controlling shareholder Yantai Changyu Group Company Limited. The Company leased the space with 15,196.94 square meters locating at No. 174 Shihuiyao Road, Zhifu District, Yantai City. The rent per year is CNY1.4645million with a rental period of 5 years from January 1, 2022 to December 31, 2026. On January 1, 2022, the Company's subordinate Sales & Marketing Co. of Yantai Changyu Pioneer Wine Company Limited Brandy Sales Division renewed the Space Lease Agreement with the controlling shareholder Yantai Changyu Group Company Limited, leasing the space with 42,552.83 square meters locating at No. 1 Jichang Road, Zhifu District, Yantai City and the space with 3,038 square meters locating at 56 Dama Road, Zhifu District, Yantai City, which are all under the name of controlling shareholder. The rent of above spaces per year is CNY4.3935million with a rental period of 5 years from January 1, 2022 to December 31, 2026.

In 2022, this Company signed a house-leasing contract with Yantai Shenma Packaging Company Limited. According to this contract, since July 1, 2022, this Company leased property to Yantai Shenma Packaging Company Limited for a business purpose with the annual rent of CNY1,626,880. This contract expires on June 30, 2023.

Project whose profit and loss brought for the Company reach more than 10% of the total profit during the report period

Available Not available

There are no lease projects whose profit and loss brought for the Company reach more than 10% of the total profit during the report 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) | Counterguarantee 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 | Counterguarantee 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 | 2023.08.31 | 7,530 | 2023.09.01 | 7,530 | Joint liability assurance | - | - | Effective as of the date | No | Yes | |

| | | | | | | | | | this Agreement is signed and will remain in effect as long as the guarantor remains in business with East West Bank | | |
|---|---|-----------------|---------------------------|-------------------------|---|------------|----------------------------|------------------|---|--|--|
| Total of the guarantee quota approved to subsidiaries during the report period (B1) | | 7,530 | | | Total of the actual guarantee amount for subsidiaries during the report period (B2) | | | | 7,530 | | |
| Total of the guarantee quota approved to subsidiaries by the end of the report period (B3) | | 80,376 | | | Balance of the actual guarantee for subsidiaries by the end of the report period (B4) | | | | 80,376 | | |
| 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) | | 7,530 | | | Total of the actual guarantee amount during the report period (A2+B2+C2) | | | | 7,530 | | |
| Total of the approved guarantee quota by the end of the report period (A3+B3+C3) | | 114,536 | | | Balance of the actual guarantee by the end of the report period (A4+B4+C4) | | | | 114,536 | | |
| The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset | | | | | 10.56% | | | | | | |

| | |
|---|----|
| 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 | | | 6,785,559 | | | | 6,785,559 | 6,785,559 | 0.98% |
| 1. State-owned holdings | | | | | | | | | |
| 2. State-owned legal person holdings | | | | | | | | | |
| 3. Other domestic holdings | | | 6,785,559 | | | | 6,785,559 | 6,785,559 | 0.98% |
| Among which: domestic legal person | | | | | | | | | |
| domestic natural person | | | 6,785,559 | | | | 6,785,559 | 6,785,559 | 0.98% |
| 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 | 99.02% |
| 1. A shares | 453,460,800 | 66.15% | | | | | | 453,460,800 | 65.51% |

| | | | | | | | | | |
|----------------------------------|-------------|--------|-----------|--|--|--|-----------|-------------|--------|
| 2. B shares | 232,003,200 | 33.85% | | | | | | 232,003,200 | 33.51% |
| 3. Oversea listed foreign shares | | | | | | | | | |
| 4. Others | | | | | | | | | |
| III. Total shares | 685,464,000 | 100% | 6,785,559 | | | | 6,785,559 | 692,249,559 | 100% |

Cause of share change

Available Not available

During the reporting period, the Company implemented a restricted share incentive plan and granted 6.7856 million shares to 203 incentive subjects.

Approval of share change

Available Not available

It has been deliberated and approved by the Board of Directors and Shareholders' Meeting.

Transfer ownership of changed shares

Available Not available

Shares have been granted to 203 incentive recipients and transfers have been completed.

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

As a result of the increase in total share capital, financial indicators such as basic and diluted earnings per share for the most recent year and the most recent period and assets per share attributable to the Company's common shareholders will decrease accordingly.

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

Unit: share

| Shareholder name | Number of restricted shares at the beginning period | Increased number of restricted shares in this period | Number of restricted shares lifted during this period | Number of restricted shares at the end of the period | Reason for restricted sale | Date of lifting restrictions |
|-----------------------|---|--|---|--|----------------------------|--------------------------------|
| 203 incentive objects | | 6,785,559 | | 6,785,559 | Implement equity incentive | Determined by equity incentive |
| Total | 0 | 6,785,559 | 0 | 6,785,559 | -- | -- |

2. Securities issuance and listing situation

(1) Securities issuance (exclude preferred share) during report period

Available Not available

| Names of shares and their derivative securities | Issued date | Issued price (or interest rate) | Issued number | Listing date | Number of approved listings | Transaction termination date | Disclosure index | Disclosure date |
|---|-------------|---------------------------------|---------------|--------------|-----------------------------|------------------------------|--|-----------------|
| Share class | | | | | | | | |
| A share | 2023.06.26 | 15.24 | 6,785,559 | 2023.07.20 | 6,785,559 | | <i>The Announcement on the Grant Results of the 2023 Restricted Share Incentive Plan</i> (announcement no. : 2023- Interim 26) | 2023.07.19 |
| Convertible corporate bonds, convertible corporate bonds that traded separately and corporate bonds | | | | | | | | |
| Other derivative securities | | | | | | | | |

Description of the issuance of securities (excluding preferred shares) during the reporting period

During the reporting period, the Company issued 6,785,559 A shares at a price of CNY15.24 per share to 203 incentive objects.

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

Available Not available

During the reporting period, the Company implemented the restricted share incentive plan and granted 6.7856 million shares to 203 incentive subjects. The changes in the Company's share capital structure after the grant registration were as follows:

| Nature of shareholder | Before this change | | This change | After this change | |
|------------------------------|--------------------------|-------------|--------------------------|--------------------------|-------------|
| | Number of shares (share) | Percentage | Number of shares (share) | Number of shares (share) | Percentage |
| Tradable restricted shares | 0 | 0% | 6,785,559 | 6,785,559 | 0.98% |
| Tradable unrestricted shares | 685,464,000 | 100% | — | 685,464,000 | 99.02% |
| Total | 685,464,000 | 100% | 6,785,559 | 692,249,559 | 100% |

After the completion of the restricted share granted, the company's equity distribution still meets the listing conditions.

(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 | 46,713 | Total number of shareholders by the end of last month before the disclosure day of the annual report | 47,362 | Total number of preferred shareholder recovering voting power by the end of report period | 0 | Total number of preferred shareholder recovering voting power by the end of last month | 0 |
|---|--------|--|--------|---|---|--|---|

| | | | | | | | before the disclosure day of the annual report | |
|---|---|----------------|--|----------------------------------|-----------------------------|-------------------------------|--|--------|
| 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 | 49.91% | 345,473,856 | 2,300 | 0 | 345,473,856 | — | 0 |
| GAOLING FUND, L.P. | Foreign legal person | 1.77% | 12,238,951 | -8,851,268 | 0 | 12,238,951 | — | 0 |
| SHENWAN HONGYUAN SECURITIES (HONGKONG) LIMITED | Foreign legal person | 1.31% | 9,061,352 | 1,767,400 | 0 | 9,061,352 | — | 0 |
| GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED | Foreign legal person | 1% | 6,918,838 | 1,920,007 | 0 | 6,918,838 | — | 0 |
| HONG KONG SECURITIES CLEARING COMPANY LIMITED | Foreign legal person | 0.77% | 5,323,034 | 902,948 | 0 | 5,323,034 | — | 0 |
| JIANG Fengdi | Domestic natural person | 0.77% | 5,307,000 | 12,000 | 0 | 5,307,000 | — | 0 |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD | Foreign legal person | 0.69% | 4,792,989 | -2,890,027 | 0 | 4,792,989 | — | 0 |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND | Foreign legal person | 0.59% | 4,094,263 | 67,400 | 0 | 4,094,263 | — | 0 |
| Haitong International Securities Company Limited-Account Client | Foreign legal person | 0.57% | 3,921,904 | -1,064,598 | 0 | 3,921,904 | — | 0 |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | Foreign legal person | 0.50% | 3,483,537 | 0 | 0 | 3,483,537 | — | 0 |
| Strategic investors or legal result of the placement of new shares to become a top 10 shareholders (If have) (Please refer to Note 3) | 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 | No | | | | | | | |

| rights and waiver of the voting rights | | | |
|---|---|---------------|-------------|
| 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. | 345,473,856 | A | 345,473,856 |
| GAOLING FUND, L.P. | 12,238,951 | B | 12,238,951 |
| SHENWAN HONGYUAN SECURITIES (HONGKONG) LIMITED | 9,061,352 | B | 9,061,352 |
| GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED | 6,918,838 | B | 6,918,838 |
| HONG KONG SECURITIES CLEARING COMPANY LIMITED | 5,323,034 | A | 5,323,034 |
| JIANG Fengdi | 5,307,000 | A | 5,307,000 |
| BBH BOS S/A FIDELITY FD - CHINA FOCUS FD | 4,792,989 | B | 4,792,989 |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND | 4,094,263 | B | 4,094,263 |
| Haitong International Securities Company Limited-Account Client | 3,921,904 | B | 3,921,904 |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 3,483,537 | B | 3,483,537 |
| 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. | | |

The lending of shares by the top ten shareholders in the securities financing business

Yes No

Unit: share

| The lending of shares by the top ten shareholders in the securities financing business | | | | | | | | |
|--|---|---|--|---|---|---|--|---|
| Name of Shareholders (full name) | Number of shares held in ordinary accounts and credit accounts at the beginning of the period | | Number of lending shares of the securities financing and not be returned yet at the beginning period | | Number of shares held in ordinary accounts and credit accounts at the end of the period | | Number of lending shares of the securities financing and not be returned yet at the end period | |
| | Total quantity | The proportion of the total share capital | Total quantity | The proportion of the total share capital | Total quantity | The proportion of the total share capital | Total quantity | The proportion of the total share capital |
| YANTAI CHANGYU GROUP CO., LTD. | 345,471,556 | 50.40% | 2,300 | 0% | 345,473,856 | 49.91% | 0 | 0% |

The top ten shareholders changed from the previous period

Available Not available

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 | 767792947 | 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 | 684822338 | 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 |

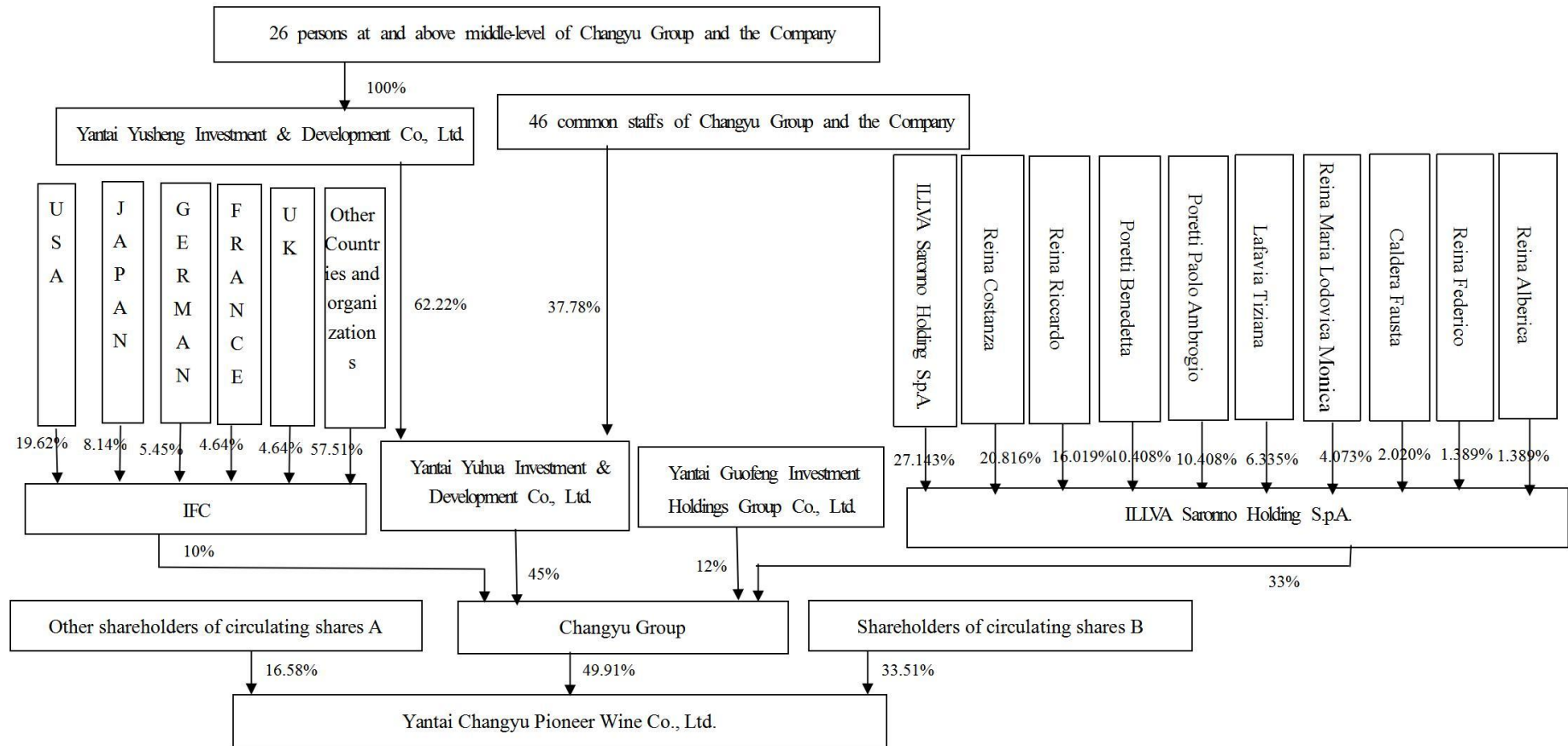
| | | | | |
|--|--|--|--|---|
| | | | | <p>state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment 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).</p> |
| <p>Equity situation for the other domestic listed companies controlled by the actual controller during the report period</p> | | <p>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.</p> | | |

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 10, 2024 |
| Audit agency name | KPMG Huazhen Certified Public Accountants Co., Ltd. (special general partnership) |
| Audit report No. | KPMG Huazhen ShenZi No. 2405429 |
| 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 2023 TO 31 DECEMBER 2023
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. 2405429

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 2023, 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 2023, 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. 2405429

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.

| Recognition of Sales Revenue from Distributors | |
|--|--|
| Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 25 and "V. Notes to the consolidated financial statements" 38. | |
| The Key Audit Matters | How the Matter was Addressed in Our Audit |
| <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"> • Understand and evaluate the Management's design and operation effectiveness of key internal controls related to distributor sales revenue recognition; • 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; • 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; |

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2405429

Key Audit Matters (continued)

| Recognition of Sales Revenue from Distributors (continued) | |
|--|---|
| Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 25 and "V. Notes to the consolidated financial statements" 38. | |
| The Key Audit Matters | How the Matter was Addressed in Our Audit |
| | <ul style="list-style-type: none"> • 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; • 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; • Select revenue accounting entries that meet specific risk criteria and check related supporting documents. |

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2405429

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2023 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. 2405429

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. 2405429

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: 10 April 2024

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2023
 (Expressed in Renminbi Yuan)

| | Note | 31 December 2023 | 31 December 2022 |
|---------------------------------|------|-----------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash at bank and on hand | V.1 | 2,217,693,647 | 1,651,454,115 |
| Bills receivable | V.2 | 1,260,000 | 2,712,460 |
| Accounts receivable | V.3 | 382,132,334 | 343,982,985 |
| Receivables under financing | V.4 | 408,316,028 | 309,329,918 |
| Prepayments | V.5 | 61,497,933 | 60,415,508 |
| Other receivables | V.6 | 71,496,276 | 70,542,398 |
| Inventories | V.7 | 2,765,390,587 | 2,903,398,515 |
| Other current assets | V.8 | 88,368,542 | 185,337,393 |
| Total current assets | | 5,996,155,347 | 5,527,173,292 |
| Non-current assets | | | |
| Long-term equity investments | V.9 | 38,285,620 | 41,371,385 |
| Investment properties | V.10 | 24,482,831 | 22,115,318 |
| Fixed assets | V.11 | 5,795,082,569 | 6,028,137,972 |
| Construction in progress | V.12 | 3,323,241 | 40,934,161 |
| Bearer biological assets | V.13 | 177,461,983 | 184,420,741 |
| Right-of-use assets | V.14 | 121,745,910 | 139,887,159 |
| Intangible assets | V.15 | 542,625,776 | 578,240,846 |
| Goodwill | V.16 | 107,163,616 | 107,163,616 |
| Long-term deferred expenses | V.17 | 306,662,107 | 274,699,232 |
| Deferred tax assets | V.18 | 221,518,204 | 227,362,656 |
| Other non-current assets | V.19 | 1,760,000 | - |
| Total non-current assets | | 7,340,111,857 | 7,644,333,086 |
| Total assets | | 13,336,267,204 | 13,171,506,378 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------|---------------------|
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term loans | V.20 | 364,981,445 | 389,378,480 |
| Accounts payable | V.21 | 473,352,525 | 503,323,746 |
| Contract liabilities | V.22 | 175,278,849 | 165,727,991 |
| Employee benefits payable | V.23 | 185,331,292 | 182,951,538 |
| Taxes payable | V.24 | 274,723,431 | 239,695,902 |
| Other payables | V.25 | 555,634,336 | 372,608,689 |
| Other current liabilities | V.26 | 44,958,297 | 18,945,706 |
| Non-current liabilities due within one year | V.27 | 78,523,993 | 144,020,834 |
| Total current liabilities | | 2,152,784,168 | 2,016,652,886 |
| Non-current liabilities | | | |
| Long-term loans | V.28 | 66,616,443 | 128,112,115 |
| Lease liabilities | V.29 | 85,038,335 | 109,505,093 |
| Long-term payables | V.30 | - | 42,000,000 |
| Deferred income | V.31 | 32,582,734 | 38,389,058 |
| Deferred tax liabilities | V.18 | 8,719,729 | 11,266,932 |
| Total non-current liabilities | | 192,957,241 | 329,273,198 |
| Total liabilities | | 2,345,741,409 | 2,345,926,084 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated balance sheet
 as at 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 31 December 2023 | 31 December 2022 |
|---|------|---------------------|---------------------|
| Liabilities and shareholders' equity (continued) | | | |
| Shareholders' equity | | | |
| Share capital | V.32 | 692,249,559 | 685,464,000 |
| Capital reserve | V.33 | 651,086,707 | 524,968,760 |
| Less : Treasury stock | V.34 | 103,411,919 | - |
| Other comprehensive income | V.35 | (14,784,677) | (23,760,238) |
| Surplus reserve | V.36 | 342,732,000 | 342,732,000 |
| Retained earnings | V.37 | 9,273,629,318 | 9,049,649,211 |
| Total equity attributable to shareholders of the Company | | 10,841,500,988 | 10,579,053,733 |
| Non-controlling interests | | 149,024,807 | 246,526,561 |
| Total shareholders' equity | | 10,990,525,795 | 10,825,580,294 |
| Total liabilities and shareholders' equity | | 13,336,267,204 | 13,171,506,378 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|--|--|--|-----------------|
| 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 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2023
 (Expressed in Renminbi Yuan)

| | Note | 31 December 2023 | 31 December 2022 |
|---------------------------------|--------|-----------------------|-----------------------|
| Assets | | | |
| Current assets | | | |
| Cash at bank and on hand | | 1,242,484,544 | 874,241,771 |
| Accounts receivable | | 5,189,894 | 2,301,505 |
| Receivables under financing | XVII.1 | 36,322,019 | 41,061,417 |
| Prepayments | | 52,587 | 3,518,783 |
| Other receivables | XVII.2 | 576,949,997 | 720,176,320 |
| Inventories | | 323,465,919 | 335,031,522 |
| Other current assets | | 147,187 | 20,080,844 |
| Total current assets | | 2,184,612,147 | 1,996,412,162 |
| Non-current assets | | | |
| Long-term equity investments | XVII.3 | 7,648,498,638 | 7,705,853,378 |
| Investment properties | | 24,482,831 | 22,115,318 |
| Fixed assets | | 194,601,612 | 216,651,596 |
| Construction in progress | | 264,175 | 375,969 |
| Bearer biological assets | | 100,785,279 | 108,370,882 |
| Right-of-use assets | | 37,025,896 | 36,153,799 |
| Intangible assets | | 72,552,201 | 75,298,044 |
| Deferred tax assets | | 2,327,585 | 12,120,605 |
| Other non-current assets | | 1,934,430,000 | 1,850,200,000 |
| Total non-current assets | | 10,014,968,217 | 10,027,139,591 |
| Total assets | | 12,199,580,364 | 12,023,551,753 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | <i>Note</i> | <i>31 December 2023</i> | <i>31 December 2022</i> |
|--|-------------|-----------------------------|-----------------------------|
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term loans | | 100,000,000 | 100,000,000 |
| Accounts payable | | 63,686,113 | 100,583,550 |
| Employee benefits payable | | 68,654,350 | 68,112,832 |
| Taxes payable | | 6,439,899 | 39,101,259 |
| Other payables | | 608,904,995 | 499,751,275 |
| Non-current liabilities due within one year | | 3,803,910 | 5,129,607 |
| Total current liabilities | | 851,489,267 | 812,678,523 |
| Non-current liabilities | | | |
| Lease liabilities | | 42,380,074 | 38,757,167 |
| Deferred income | | 55,718 | 877,814 |
| Total non-current liabilities | | 42,435,792 | 39,634,981 |
| Total liabilities | | 893,925,059 | 852,313,504 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company balance sheet
 as at 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | <i>Note</i> | <i>31 December 2023</i> | <i>31 December 2022</i> |
|---|-------------|-----------------------------|-----------------------------|
| Liabilities and shareholders' equity (continued) | | | |
| Shareholders' equity | | | |
| Share capital | | 692,249,559 | 685,464,000 |
| Capital reserve | | 687,544,350 | 560,182,235 |
| Less : Treasury stock | | 103,411,919 | - |
| Surplus reserve | | 342,732,000 | 342,732,000 |
| Retained earnings | | 9,686,541,315 | 9,582,860,014 |
| Total shareholders' equity | | 11,305,655,305 | 11,171,238,249 |
| Total liabilities and shareholders' equity | | 12,199,580,364 | 12,023,551,753 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|--|--|--|-----------------|
| 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 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2023
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|--|------|---------------|---------------|
| I. Operating income | V.38 | 4,384,764,335 | 3,918,941,160 |
| Less: Operating costs | V.38 | 1,786,983,657 | 1,680,794,732 |
| Taxes and surcharges | V.39 | 349,735,571 | 289,656,627 |
| Selling and distribution expenses | V.40 | 1,239,782,776 | 1,028,966,138 |
| General and administrative expenses | V.41 | 303,990,858 | 287,605,531 |
| Research and development expenses | | 17,413,534 | 15,431,310 |
| Financial expenses | V.42 | 11,083,459 | 7,256,207 |
| Including: Interest expenses | | 35,800,097 | 26,856,890 |
| Interest income | | 30,571,465 | 24,186,351 |
| Add: Other income | V.43 | 51,523,799 | 33,145,440 |
| Investment income/(losses) | V.44 | 23,847,450 | (3,447,794) |
| Including: Losses from investment associates and in joint ventures | | (712,480) | (1,605,469) |
| Credit reversal | V.45 | 1,397,658 | 4,752,797 |
| Impairment losses | V.46 | (13,506,958) | (5,789,670) |
| Losses from disposal of assets | V.47 | (134,133) | (16,191,903) |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|---|------|-------------|-------------|
| II. Operating profit | | 738,902,296 | 621,699,485 |
| Add: Non-operating income | V.48 | 11,992,270 | 6,832,809 |
| Less: Non-operating expenses | V.48 | 3,428,410 | 2,949,991 |
| III. Profit before income tax | | 747,466,156 | 625,582,303 |
| Less: Income tax expenses | V.49 | 221,433,447 | 194,233,589 |
| IV. Net profit | | 526,032,709 | 431,348,714 |
| (1) Net profit classified by continuity of operations: | | | |
| 1. Net profit from continuing operations | | 526,032,709 | 431,348,714 |
| 2. Net profit from discontinued operations | | - | - |
| (2) Net profit classified by ownership: | | | |
| 1. Net profit attributable to shareholders of the Company | | 532,438,907 | 428,681,411 |
| 2. Non-controlling net (losses)/interests | | (6,406,198) | 2,667,303 |
| V. Other comprehensive income, net of tax | | 9,519,495 | 12,282,545 |
| (1) Other comprehensive income (net of tax) attributable to shareholders of the Company | | 8,975,561 | 10,946,939 |
| Translation differences arising from translation of foreign currency financial statements | | 8,975,561 | 10,946,939 |
| (2) Other comprehensive income (net of tax) attributable to non-controlling interests | | 543,934 | 1,335,606 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated income statement
 for the year ended 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|---|------|-------------|-------------|
| VI. Total comprehensive income for the year | | 535,552,204 | 443,631,259 |
| (1) Attributable to shareholders of the Company | | 541,414,468 | 439,628,350 |
| (2) Attributable to non-controlling interests | | (5,862,264) | 4,002,909 |
| VII. Earnings per share: | | | |
| (1) Basic earnings per share | V.50 | 0.78 | 0.63 |
| (2) Diluted earnings per share | V.50 | 0.78 | 0.63 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|--|--|--|-----------------|
| 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 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company income statement
 for the year ended 31 December 2023
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|--------------------------------------|--------|--------------|-------------|
| I. Operating income | XVII.4 | 731,158,954 | 675,062,421 |
| Less: Operating cost | XVII.4 | 621,636,564 | 577,316,851 |
| Taxes and surcharges | | 26,163,038 | 27,984,695 |
| General and administrative expenses | | 60,054,424 | 58,441,386 |
| Research and development expenses | | 1,127,242 | 2,674,191 |
| Financial expenses | | (2,756,864) | (4,912,837) |
| Including: Interest expenses | | 3,184,460 | 3,238,235 |
| Interest income | | 10,213,608 | 10,840,336 |
| Add: Other income | | 3,219,830 | 5,318,209 |
| Investment income | XVII.5 | 439,250,529 | 736,516,479 |
| Impairment losses | | (42,274,055) | - |
| Proceeds from the disposal of assets | | - | 33,453 |
| II. Operating profit | | 425,130,854 | 755,426,276 |
| Add: Non-operating income | | 386,193 | 3,665,752 |
| Less: Non-operating expenses | | 1,258,048 | 1,281,047 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company income statement
 for the year ended 31 December 2023 (continued)
(Expressed in Renminbi Yuan)

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|-------------|-------------|
| III. Profit before income tax | | 424,258,999 | 757,810,981 |
| Less: Income tax expenses | | 12,118,898 | 8,053,832 |
| IV. Net profit | | 412,140,101 | 749,757,149 |
| (i) Net profit from continuing operations | | 412,140,101 | 749,757,149 |
| (ii) Net profit from discontinued operations | | - | - |
| V. Other comprehensive income, net of tax | | - | - |
| VI. Total comprehensive income for the year | | 412,140,101 | 749,757,149 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|--|--|--|-----------------|
| 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 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2023
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|--|---------|---------------|---------------|
| I. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | | 4,362,027,268 | 3,681,133,282 |
| Refund of taxes | | 37,827,698 | 186,197,815 |
| Proceeds from other operating activities | V.51(1) | 219,385,622 | 61,825,407 |
| Sub-total of cash inflows | | 4,619,240,588 | 3,929,156,504 |
| Payment for goods and services | | 1,368,282,215 | 1,266,006,299 |
| Payment to and for employees | | 491,419,621 | 493,589,542 |
| Payment of various taxes | | 910,748,260 | 718,434,215 |
| Payment for other operating activities | V.51(1) | 675,698,749 | 582,249,801 |
| Sub-total of cash outflows | | 3,446,148,845 | 3,060,279,857 |
| Net cash flows from operating activities | V.52(1) | 1,173,091,743 | 868,876,647 |
| II. Cash flows from investing activities: | | | |
| Proceeds from disposal of investments | | 238,200,000 | 133,200,000 |
| Investment returns received | | 3,196,066 | 1,340,518 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | 10,529,793 | 28,412,630 |
| Net proceeds from disposal of subsidiaries and other business units | V.52(2) | 20,308,625 | - |
| Net proceeds from acquisition of subsidiaries and other business units | V.52(2) | 657,049 | - |
| Sub-total of cash inflows | | 272,891,533 | 162,953,148 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | | 132,032,219 | 198,791,362 |
| Payment for acquisition of investments | | 464,200,000 | 108,200,000 |
| Sub-total of cash outflows | | 596,232,219 | 306,991,362 |
| Net cash flows from investing activities | | (323,340,686) | (144,038,214) |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Consolidated cash flow statement
 for the year ended 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|--|---------|---------------|---------------|
| III. Cash flows from financing activities: | | | |
| Proceeds from investors | | 103,411,919 | - |
| Proceeds from borrowings | | 573,859,507 | 641,331,495 |
| Sub-total of cash inflows | | 677,271,426 | 641,331,495 |
| Repayments of borrowings | | 768,253,239 | 903,179,998 |
| Payment for dividends, profit distributions or interest | | 341,454,132 | 333,134,330 |
| Payment for other financing activities | V.51(3) | 67,229,123 | 19,774,744 |
| Sub-total of cash outflows | | 1,176,936,494 | 1,256,089,072 |
| Net cash flows from financing activities | | (499,665,068) | (614,757,577) |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | 316,163 | 345,715 |
| V. Net increase in cash and cash equivalents | V.52(1) | 350,402,152 | 110,426,571 |
| Add: Cash and cash equivalents at the beginning of the year | | 1,612,753,600 | 1,502,327,029 |
| VI. Cash and cash equivalents at the end of the year | V.52(2) | 1,963,155,752 | 1,612,753,600 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|---|---|---|-----------------|
| 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 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2023
(Expressed in Renminbi Yuan)

| | <i>Note</i> | <i>2023</i> | <i>2022</i> |
|--|-------------|---------------|-------------|
| I. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | | 673,455,798 | 610,597,839 |
| Tax returns received | | - | 1,597,879 |
| Proceeds from other operating activities | | 12,473,241 | 84,262,490 |
| Sub-total of cash inflows | | 685,929,039 | 696,458,208 |
| Payment for goods and services | | 611,290,566 | 401,136,965 |
| Payment to and for employees | | 60,646,447 | 67,906,188 |
| Payment of various taxes | | 62,523,754 | 50,709,754 |
| Payment for other operating activities | | 28,861,990 | 23,452,120 |
| Sub-total of cash outflows | | 763,322,757 | 543,205,027 |
| Net cash flows from operating activities | | (77,393,718) | 153,253,181 |
| II. Cash flows from investing activities: | | | |
| Proceeds from disposal of investments | | 262,833,449 | 118,200,000 |
| Investment returns received | | 729,828,424 | 489,479,719 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | 576,150 | 175,978 |
| Net proceeds from disposal of subsidiaries and other business units | | 17,965,519 | 1,677,331 |
| Proceeds from borrowings to subsidiaries | | 10,000,000 | 312,000,000 |
| Sub-total of cash inflows | | 1,021,203,542 | 921,533,028 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | | 7,116,731 | 21,831,779 |
| Payment for acquisition of investments | | 478,823,400 | 218,200,000 |
| Net payment for acquisition of subsidiaries and other business units | | 5,537,700 | - |
| Cash paid to subsidiaries | | 94,230,000 | 138,700,000 |
| Sub-total of cash outflows | | 585,707,831 | 378,731,779 |
| Net cash flows from investing activities | | 435,495,711 | 542,801,249 |

The notes on pages 114 to 210 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
 Company cash flow statement
 for the year ended 31 December 2023 (continued)
 (Expressed in Renminbi Yuan)

| | Note | 2023 | 2022 |
|--|------|---------------|---------------|
| III. Cash flows from financing activities: | | | |
| Proceeds from investors | | 103,411,919 | - |
| Proceeds from borrowings | | 100,000,000 | 100,000,000 |
| Sub-total of cash inflows | | 203,411,919 | 100,000,000 |
| Repayments of borrowings | | 100,000,000 | 150,000,000 |
| Payment for dividends or interest | | 311,643,260 | 311,697,035 |
| Payment for other financing activities | | 4,956,105 | 4,796,838 |
| Sub-total of cash outflows | | 416,599,365 | 466,493,873 |
| Net cash flows from financing activities | | (213,187,446) | (366,493,873) |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | - | - |
| V. Net increase in cash and cash equivalents | | 144,914,547 | 329,560,557 |
| Add: Cash and cash equivalents at the beginning of the year | | 843,369,997 | 513,809,440 |
| VI. Cash and cash equivalents at the end of the year | | 988,284,544 | 843,369,997 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

| | | | |
|--|--|--|-----------------|
| 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 114 to 210 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 2023
 (Expressed in Renminbi Yuan)

| | Note | Attributable to shareholders of the Company | | | | | | Non-controlling interests | Total shareholders' equity | |
|--|--------|---|-----------------|----------------------|----------------------------|-----------------|-------------------|---------------------------|----------------------------|----------------|
| | | Share capital | Capital reserve | Less: Treasury-Stock | Other comprehensive income | Surplus reserve | Retained earnings | | | Sub-total |
| I. Balance at the beginning 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 |
| II. Changes in equity during the year | | | | | | | | | | |
| 1. Total comprehensive income | | - | - | - | 8,975,561 | - | 532,438,907 | 541,414,468 | (5,862,264) | 535,552,204 |
| 2. Shareholders' contributions and decrease of capital | | | | | | | | | | |
| (1). Effects of Restricted Share Incentive Plan | V.32 | 6,785,559 | 127,362,115 | (103,411,919) | - | - | - | 30,735,755 | - | 30,735,755 |
| (2). Acquisition of non-controlling interests | VIII.2 | - | (1,244,168) | - | - | - | - | (1,244,168) | (31,502,609) | (32,746,777) |
| 3. Appropriation of profits | | | | | | | | | | |
| Distributions to shareholders | V.37 | - | - | - | - | - | (308,458,800) | (308,458,800) | (1,538,316) | (309,997,116) |
| 4. Others | | | | | | | | | | |
| Disposal of equities in subsidiaries | | - | - | - | - | - | - | - | (58,598,565) | (58,598,565) |
| III. Balance at the end of the year | | 692,249,559 | 651,086,707 | (103,411,919) | (14,784,677) | 342,732,000 | 9,273,629,318 | 10,841,500,988 | 149,024,807 | 10,990,525,795 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

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 114 to 210 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 2022
 (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 | (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 | | | | | | | | | |
| Distributions to shareholders | V.37 | - | - | - | - | (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 10 April 2024.

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 114 to 210 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 2023
 (Expressed in Renminbi Yuan)

| | Note | Share capital | Capital reserve | Less: Treasury-Stock | Surplus reserve | Retained earnings | Total shareholders' equity |
|--|------|---------------|-----------------|----------------------|-----------------|-------------------|----------------------------|
| I. Balance at the beginning of the year | | 685,464,000 | 560,182,235 | - | 342,732,000 | 9,582,860,014 | 11,171,238,249 |
| II. Changes in equity during the year | | | | | | | |
| (1) Total comprehensive income | | - | - | - | - | 412,140,101 | 412,140,101 |
| (2) Contribution by owners | | | | | | | |
| Effects of Restricted Share Incentive Plan | | 6,785,559 | 127,362,115 | (103,411,919) | - | - | 30,735,755 |
| (3) Appropriation of profits | | | | | | | |
| Distributions to shareholders | | - | - | - | - | (308,458,800) | (308,458,800) |
| III. Balance at the end of the year | | 692,249,559 | 687,544,350 | (103,411,919) | 342,732,000 | 9,686,541,315 | 11,305,655,305 |

These financial statements were approved by the Board of Directors of the Company on 10 April 2024.

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 114 to 210 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 (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 | 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 10 April 2024.

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

The notes on pages 114 to 210 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 2023 the total shares issued by the Company amounts to 692,249,559 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 10 April 2024. 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 VIII “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 2023, 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 2023.

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 *Method used to determine the materiality threshold and the basis for selection*

| <i>Item</i> | <i>Materiality threshold</i> |
|---|--|
| Significant other payables/accounts payable with ageing of more than one year | Amount of the individual other payables/accounts payable with ageing of more than 1 year exceeds 0.5% of the Group’s total liabilities |
| Significant construction projects in progress | Carrying amount of the individual construction in progress exceeds 0.5% of the Group’s total non-current assets |
| Significant non-wholly-owned subsidiaries | Carrying amount of net assets attributable to non-controlling shareholders of the non-wholly-owned subsidiaries exceeds 0.5% of the Group’s net assets |
| Significant investing and financing activities not requiring the use of cash | Amount of the individual cash flow exceeds exceeds 0.5% of the Group’s total assets |

6 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.19). 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.12(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.

7 Criteria of control and preparation of 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.7(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.

8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw 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.

9 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. 16). 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.

10 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.12), 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.25.

(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).

Loss allowances for bills receivable, accounts receivable and receivables under financing arising from ordinary business activities such as sale of goods and provision of services, 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.

Except for bills receivable, accounts receivable, receivables under financing, the Group measures loss allowances at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- 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.

Provisions for bad and doubtful debts arising from receivables

- (a) Categories of groups for collective assessment based on credit risk characteristics and basis for determination

| | |
|-----------------------------|---|
| Bills receivable | Based on the different credit risk characteristics of acceptors, the Group classifies bills receivable into two groups: bank acceptance bills and commercial acceptance bills. |
| Accounts receivable | Historically, there is no significant difference in terms of occurrence of losses among different customer types for the Group. Therefore, the Group makes provisions for bad and doubtful debts arising from accounts receivable on the basis of all customers being one group without further segmentation by different customer types. |
| Receivables under financing | The Group's receivables under financing are bank acceptance bills held for dual purposes. As the accepting banks have high credit ratings, the Group considers all receivables under financing as a group. |
| Other receivables | The Group's other receivables mainly include deposits and guarantees receivable, ect. Based on the nature of receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into 2 groups, specifically: the group of deposits and guarantees receivable and the group of other receivables. |

- (b) Criteria for individual assessment

Bills receivable, accounts receivable, receivables under financing, and other receivables are usually assessed collectively as a group based on credit risk characteristics to make provisions. When a counterparty is significantly different from other counterparties in the group in terms of credit risk characteristics, or if there has been a significant change in its credit risk characteristics, the individual approach is adopted for receivables due from this counterparty. For example, when a counterparty is in serious financial difficulties and the expected credit loss ratio of receivables due from this counterparty is significantly higher than the average expected credit loss ratio of the relevant ageing range, it should be individually assessed for provisioning purposes.

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 and 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.

11 Inventories

(1) Categories

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.

(3) Inventory count system

The Group maintains a perpetual inventory system.

(4) Amortisation method for low-value consumables and packaging materials

Consumables including low-value consumables and packaging materials are charged to profit or loss upon receipt. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

(5) Criteria 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 production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities of inventories held by the Group exceed the quantities specified in sales contracts, the net realisable value of the excess portion of inventories is 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 obsolete inventories, and is recognised in profit or loss.

12 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. 31). 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.21.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.7.

(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.12(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.12(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.31).

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.21.

(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.

13 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.31). For the impairment of the investment properties, refer to Note III.21.

| <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% |

14 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.15.

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.31).

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.21.

(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.

15 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.16), 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.

Criteria and timing for the transfer to fixed assets :

| Category | Criteria and timing for the transfer to fixed assets |
|-------------------------|---|
| Plant and buildings | <ol style="list-style-type: none"> (1) The main construction projects and ancillary projects have been substantially completed; (2) the construction projects have been checked and accepted by the survey, design, construction and supervision units after meeting the pre-determined design requirements; (3) the construction projects have been checked and accepted by external departments such as the fire department, the land and resources department and the planning department; (4) if a construction project is available for its intended use but its final account has not yet been finalised, the construction project will be transferred to fixed assets at its estimated value from the date it is available for its intended use, based on the its estimated value of construction. |
| Machinery and equipment | <ol style="list-style-type: none"> (1) The relevant equipment and other supporting facilities have been installed; (2) the equipment can operate normally and stably for a period after commissioning; (3) the production equipment is capable of producing qualified products stably for a period; (4) the equipment has been checked and accepted by asset management personnel and users. |

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.21).

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.

16 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.

17 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.

18 Intangible assets

Useful life and amortisation methods

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.21). 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.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

| <i>Item</i> | <i>Amortisation period (years)</i> | <i>Basis for determination</i> | <i>Amortisation methods</i> |
|-------------------|------------------------------------|--|-----------------------------|
| Land use rights | 40 - 50 years | Terms of land use rights | Stright-line Method |
| Software licenses | 5 - 10 years | Shorter of the term of software or the estimated useful life of software | Stright-line Method |
| Trademarks | 10 years | Shorter of the term of trademark rights or the estimated useful life of trademark rights | Stright-line Method |

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. (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.

19 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.21). 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.

20 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 |
| Renovation Fee | 3 - 20 years |
| Others | 3 years |

21 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.22) 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.

22 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.

23 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined as follows:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amounts of provisions at the balance sheet date and adjusts their carrying amounts to the current best estimates.

24 Share-based payments

(1) Classification of share-based payments

Share-based payment transactions in the Group are equity-settled share-based payments..

(2) Accounting treatment of share-based payments

- Equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from employees, the payment is measured at the fair value of the equity instruments granted to employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognised as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to newly obtained subsequent information regarding changes in the number of employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

25 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.10(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.

26 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.

27 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.

28 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 Group 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.

29 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 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 temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also 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 reductions are 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.

30 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.25.

(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.21.

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.10. 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.

31 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.22) less costs to sell (except financial assets (see Note III.10), deferred tax assets (see Note III.29) and investment properties subsequent measured at fair value (see Note III. 13) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.22) less costs to sell is recognised as an impairment loss in profit or loss.

32 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.

33 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.

34 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 2023, over 86% of revenue, more than 96% 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.

35 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. The management 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.

36 Changes in significant accounting policies

In 2023, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF:

The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption" in CAS Bulletin No.16 (Caikuai [2022] No.31) ("CAS Bulletin No.16")

According to the provisions, for taxable and deductible temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profits nor taxable profit (or deductible losses) and gives rise to equal taxable and deductible temporary differences, the Group recognises the corresponding deferred tax liabilities and deferred tax assets respectively in accordance with relevant provisions in CAS 18 - Income Tax when such transactions occur, instead of recognising deferred tax liabilities or deferred tax assets based on the net amount of taxable and deductible temporary differences. The adoption of the above requirements and guidance does not have a 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), 28% (Spain), 27% (Chile), 30% (Australia) |

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2023 and 2022 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”, disposal in June 2023), 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 2021 to 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 2021 to 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 2021 to 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

In accordance with the PRC Enterprise Income Tax Law and its implementing regulations, the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (No.13 [2019] of the Ministry of Finance), the Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses (Announcement [2023] No.6 from the Ministry of Finance and the State Administration of Taxation) and the Announcement on Further Implementation of Income Tax Incentives for Small Enterprises with Meagre Profits (Announcement [2022] No. 13 of the Ministry of Finance and the State Taxation Administration), for micro and small enterprises that meet the application requirements that the taxable income that is not more than RMB 1 million, the amount of taxable income shall be reduced by 25%, and the applicable rate of enterprise income tax shall be 20%; for the annual taxable income 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 enterprise income tax shall be 20%. Beijing Changyu Wine Marketing Co., Ltd. (“Beijing Marketing”), a subsidiary of the Company, was identified as a qualified small enterprise with meagre profits.

Pursuant to the Announcement on Clarifying VAT Relief and Other Policies for Small-scale VAT Taxpayers (Announcement [2023] No.1 of the Ministry of Finance and the State Taxation Administration), the taxable sales revenue of small-scale VAT taxpayers to which a levy rate of 3% is applicable shall be subject to VAT at a reduced levy rate of 1%; and the prepaid VAT items to which a pre-levy rate of 3% is applicable shall be subject to a reduced pre-levy rate of 1% from the period from 1 January 2023 to 31 December 2023. Xinjiang Changyu Sales Co., Ltd. Weimeisi Tasting Centre Branch is entitled to the above 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.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

| <i>Item</i> | 2023 | 2022 |
|------------------------------------|---------------|---------------|
| Cash on hand | 74,951 | 47,954 |
| Bank deposits | 2,217,280,801 | 1,643,577,420 |
| Other monetary funds | 337,895 | 7,828,741 |
| Total | 2,217,693,647 | 1,651,454,115 |
| Including: Total overseas deposits | 24,317,469 | 17,073,210 |

As at 31 December 2023, the Group's term deposits with previous maturity of more than three months is RMB 254,200,000, with interest rate 1.70% - 2.25% (31 December 2022: RMB28,200,000).

As at 31 December 2023, the Group's other monetary assets is as follows:

| <i>Item</i> | 2023 | 2022 |
|--------------------------------|---------|-----------|
| Deposits for letters of credit | - | 6,000,000 |
| Alipay account balance | 192,997 | 1,695,245 |
| Deposit for ICBC platform | 10,000 | 10,000 |
| Deposits for the customs | 134,898 | 123,496 |
| Total | 337,895 | 7,828,741 |

As at 31 December 2023, 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> | 2023 | 2022 |
|-----------------------|-----------|-----------|
| Bank acceptance bills | 1,260,000 | 2,712,460 |
| Total | 1,260,000 | 2,712,460 |

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 2023 | 31 December 2022 |
|--|------------------|------------------|
| Amounts due from related parties | 4,401,307 | 2,827,473 |
| Amounts due from other customers | 390,889,475 | 355,711,618 |
| Sub-total | 395,290,782 | 358,539,091 |
| Less: Provision for bad and doubtful debts | (13,158,448) | (14,556,106) |
| Total | 382,132,334 | 343,982,985 |

As at 31 December 2023, ownership restricted accounts receivable is RMB 73,628,265 (31 December 2022: RMB59,982,807), referring to Note V. 53.

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

| <i>Ageing</i> | 2023 | 2022 |
|---|--------------|--------------|
| Within 1 year (inclusive) | 387,161,172 | 349,764,300 |
| Over 1 year but within 2 years (inclusive) | 2,367,283 | 8,085,677 |
| Over 2 years but within 3 years (inclusive) | 5,396,673 | 452,254 |
| Over 3 years | 365,654 | 236,860 |
| Sub-total | 395,290,782 | 358,539,091 |
| Less: Provision for bad and doubtful debts | (13,158,448) | (14,556,106) |
| Total | 382,132,334 | 343,982,985 |

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.

2023

| | <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 | 0.2% | 365,010,895 | 660,099 |
| Overdue for 1 to 30 days | 2.7% | 14,276,606 | 384,812 |
| Overdue for 31 to 60 days | 10.8% | 1,939,270 | 208,908 |
| Overdue for 61 to 90 days | 20.8% | 443,199 | 92,141 |
| Overdue for 91 to 120 days | 37.2% | 880,565 | 328,007 |
| Overdue for 121 to 150 days | 55.4% | 874,822 | 485,022 |
| Overdue for 151 to 180 days | 55.4% | 499,866 | 277,137 |
| Overdue for 181 to 210 days | 72.1% | 497,356 | 358,689 |
| Overdue for 211 to 240 days | 77.1% | 693,596 | 534,607 |
| Overdue for 241 to 270 days | 82.9% | 980,610 | 812,545 |
| Overdue for 271 to 300 days | 88.9% | 1,596,409 | 1,418,894 |
| Overdue for 301 to 330 days | 100.0% | 9,150 | 9,150 |
| Overdue for 331 to 360 days | 100.0% | 82,541 | 82,541 |
| Overdue for 360 days | 100.0% | 7,505,897 | 7,505,896 |
| Total | 3.3% | 395,290,782 | 13,158,448 |

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 |

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:

| | 2023 | 2022 |
|---|--------------|--------------|
| Balance at the beginning of the year | (14,556,106) | (20,263,750) |
| Charge for the year | (7,361,616) | (15,084,381) |
| Recoveries or reversals during the year | 8,759,274 | 19,837,178 |
| Transfers out during the year | - | 954,847 |
| Balance at the end of the year | (13,158,448) | (14,556,106) |

(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 | 147,458,311 | Within 1 year | 37.3% | 265,765 |
| Debtor Two | Third party | 14,267,454 | Within 1 year | 3.6% | 504,073 |
| Debtor Three | Third party | 14,054,076 | Within 1 year | 3.6% | 496,535 |
| Debtor Four | Third party | 9,396,987 | Within 1 year | 2.4% | 331,999 |
| Debtor Five | Third party | 8,241,582 | Within 1 year | 2.1% | 291,178 |
| Total | | 193,418,410 | | 49.0% | 1,889,550 |

4 Receivables under financing

| Item | Note | 2023 | 2022 |
|------------------|------|-------------|-------------|
| Bills receivable | (1) | 408,316,028 | 309,329,918 |

(1) Pledged bills receivable by the Group at the end of the year:

As at 31 December 2023, there was no pledged bills receivable (31 December 2022: 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 | 394,923,505 |
| Total | 394,923,505 |

As at 31 December 2023, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB 394,923,505 (31 December 2022: RMB 500,480,279). 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> | 2023 | 2022 |
|-------------|------------|------------|
| Prepayments | 61,497,933 | 60,415,508 |
| Total | 61,497,933 | 60,415,508 |

(2) The ageing analysis of prepayments is as follows:

| <i>Ageing</i> | 2023 | | 2022 | |
|--|---------------|-----------------------|---------------|-----------------------|
| | <i>Amount</i> | <i>Percentage (%)</i> | <i>Amount</i> | <i>Percentage (%)</i> |
| Within 1 year (inclusive) | 61,468,643 | 99.9% | 59,426,080 | 98.4% |
| Over 1 year but within 2 years (inclusive) | 29,290 | 0.1% | 989,428 | 1.6% |
| Total | 61,497,933 | 100.0% | 60,415,508 | 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 | 29,452,494 | Within 1 year | 47.9% | - |
| Debtor Two | Prepayments | 8,104,605 | Within 1 year | 13.2% | - |
| Debtor Three | Prepayments | 4,832,462 | Within 1 year | 7.9% | - |
| Debtor Four | Prepayments | 1,715,378 | Within 1 year | 2.8% | - |
| Debtor Five | Prepayments | 1,274,822 | Within 1 year | 2.1% | - |
| Total | | 45,379,761 | | 73.9% | - |

6 Other receivables

| | 31 December 2023 | 31 December 2022 |
|--------|------------------|------------------|
| Others | 71,496,276 | 70,542,398 |
| Total | 71,496,276 | 70,542,398 |

(1) Others by customer type:

| <i>Customer type</i> | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Amounts due from other companies | 71,496,276 | 70,542,398 |
| Sub-total | 71,496,276 | 70,542,398 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 71,496,276 | 70,542,398 |

(2) The ageing analysis is as follows:

| <i>Ageing</i> | 2023 | 2022 |
|---|------------|------------|
| Within 1 year (inclusive) | 29,551,266 | 67,221,713 |
| Over 1 year but within 2 years (inclusive) | 39,753,227 | 1,208,361 |
| Over 2 years but within 3 years (inclusive) | 160,000 | 57,928 |
| Over 3 years | 2,031,783 | 2,054,396 |
| Sub-total | 71,496,276 | 70,542,398 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 71,496,276 | 70,542,398 |

The ageing is counted starting from the date when other receivables are recognised.

(3) Movements of provisions for bad and doubtful debts

As at 31 December 2023, no bad and doubtful debt provision was made for other receivables (31 December 2022: Nil).

As at 31 December 2023, the Group has no other receivables written off (31 December 2022: Nil).

(4) Others categorised by nature

| <i>Nature of other receivables</i> | 2023 | 2022 |
|--|------------|------------|
| Land purchases and reserves receivable | 37,768,902 | 41,268,902 |
| Refund of consumption tax and VAT | 19,104,008 | 12,509,201 |
| Deposit | 5,429,202 | 5,578,001 |
| Petty cash receivable | 154,354 | 440,759 |
| Others | 9,039,810 | 10,745,535 |
| Sub-total | 71,496,276 | 70,542,398 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 71,496,276 | 70,542,398 |

(5) 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 | 37,768,902 | 1-2 years | 52.8% | - |
| Debtor Two | Refund of VAT | 17,894,493 | Within 1 year | 25.0% | - |
| Debtor Three | Housing maintenance funds | 2,670,094 | Within 1 year | 3.7% | - |
| Debtor Four | Refund of VAT | 736,946 | Within 1 year | 1.0% | - |
| Debtor Five | Deposits | 572,880 | Within 1 year | 0.8% | - |
| Total | | 59,643,315 | | 83.3% | - |

7 Inventories

(1) Inventories by category:

| Item | 2023 | | | 2022 | | |
|------------------|---------------|---|-----------------|---------------|---|-----------------|
| | Book value | Provision for impairment of inventories | Carrying amount | Book value | Provision for impairment of inventories | Carrying amount |
| Raw materials | 241,961,713 | - | 241,961,713 | 258,200,178 | - | 258,200,178 |
| Work in progress | 1,915,860,327 | - | 1,915,860,327 | 1,986,391,270 | - | 1,986,391,270 |
| Finished goods | 625,076,081 | (17,507,534) | 607,568,547 | 673,171,026 | (14,363,959) | 658,807,067 |
| Total | 2,782,898,121 | (17,507,534) | 2,765,390,587 | 2,917,762,474 | (14,363,959) | 2,903,398,515 |

(2) Provision for impairment of inventories:

| Item | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|----------------|-----------------|--------------------------|--------------------------|-----------------|
| | | Recognised | Reversal | |
| Finished goods | 14,363,959 | 17,507,534 | (14,363,959) | 17,507,534 |

8 Other current assets

| Item | 2023 | 2022 |
|---------------------------------|------------|-------------|
| Input tax to be credited | 65,228,189 | 44,270,238 |
| Right to recover returned goods | 16,876,869 | - |
| Prepaid income taxes | 4,438,001 | 19,102,111 |
| Deferred expenses | 1,825,483 | 1,034,403 |
| Trademarks (Note) | - | 120,930,641 |
| Total | 88,368,542 | 185,337,393 |

Notes:

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. 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.

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 recovered the balance of Changyu Group's trademark royalties in December 2023.

9 Long-term equity investments

(1) Long-term equity investments by category:

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--------------------------------|-------------|-------------|
| Investments in joint ventures | 37,018,893 | 37,970,535 |
| Investments in associates | 1,266,727 | 3,400,850 |
| Sub-total | 38,285,620 | 41,371,385 |
| Less: Provision for impairment | - | - |
| Total | 38,285,620 | 41,371,385 |

(2) Movements of long-term equity investments during the year are as follows:

| <i>Investee</i> | <i>2023 Balance at the beginning of the year</i> | <i>Movements during the year</i> | | <i>2023 Closing balance</i> | <i>Shareholding percentage</i> |
|--|--|--|---------------|---------------------------------|------------------------------------|
| | | <i>(Losses)/Profits from investments under equity-method I</i> | <i>Others</i> | | |
| Joint ventures | | | | | |
| SAS L&M Holdings (“L&M Holdings”) | 37,970,535 | (951,642) | - | 37,018,893 | 55% |
| Associates | | | | | |
| WEMISS (Shanghai) Enterprise Development Co., Ltd (“WEMISS Shanghai”) (Note1) | 2,318,351 | 54,934 | (2,373,285) | - | 100% |
| Shanghai Yufeng Brand Management Co., Ltd. (Note2) | 420,369 | (55,007) | - | 365,362 | |
| Yantai Guolong Wine Industry Co., Ltd. (Note2) | 662,130 | 239,235 | - | 901,365 | 10% |
| Sub-total | 3,400,850 | 239,162 | (2,373,285) | 1,266,727 | 10% |
| Total | 41,371,385 | (712,480) | (2,373,285) | 38,285,620 | |

Note 1: According to the Equity Transfer Contract signed by the Company and Beijing Wanfeng Trading Co., Ltd. (“Beijing Wanfeng”) in 2023, Beijing Wanfeng transferred its 70% equity in Weimeisi Shanghai to the Company at a price of RMB5,537,700, and Weimeisi Shanghai becomes a wholly-owned subsidiary of the Company upon the completion of this transaction. The related transaction was completed in January 2023, please see Note VII.1 for details.

Note 2: The Group has appointed one director to each of these investees.

10 Investment properties

| | <i>Plants and buildings</i> |
|--------------------------|-----------------------------|
| Cost | |
| 31 December 2022 | 70,954,045 |
| Transfer in | 10,211,574 |
| 31 December 2023 | 81,165,619 |
| Accumulated depreciation | |
| 31 December 2022 | (48,838,727) |
| Transfer in | (5,125,009) |
| Charge for the year | (2,719,052) |
| 31 December 2023 | (56,682,788) |
| Carrying amount | |
| 31 December 2023 | 24,482,831 |
| 31 December 2022 | 22,115,318 |

11 Fixed assets

(1) Fixed assets

| <i>Item</i> | <i>Plant & buildings</i> | <i>Machinery & equipment</i> | <i>Motor vehicles</i> | <i>Total</i> |
|---|------------------------------|----------------------------------|-----------------------|-----------------|
| Cost | | | | |
| 31 December 2022 | 5,878,199,055 | 2,793,728,175 | 25,888,552 | 8,697,815,782 |
| Additions during the year | | | | |
| - Purchases | 30,659,690 | 73,274,720 | 174,932 | 104,109,342 |
| - Transfers from construction in progress | 6,273,036 | 1,726,052 | - | 7,999,088 |
| - Transfers to Investment properties | (10,211,574) | - | - | (10,211,574) |
| Disposals or written-offs during the year | (22,448) | (35,868,072) | (794,809) | (36,685,329) |
| Disposals of Subsidiaries | (22,793,000) | (21,338,824) | (1,000,461) | (45,132,285) |
| 31 December 2023 | 5,882,104,759 | 2,811,522,051 | 24,268,214 | 8,717,895,024 |
| Accumulated depreciation | | | | |
| 31 December 2022 | (1,167,095,365) | (1,477,263,867) | (22,633,029) | (2,666,992,261) |
| Charge for the year | (162,015,401) | (150,533,496) | (1,793,186) | (314,342,083) |
| Transfers to Investment properties | 5,125,009 | - | - | 5,125,009 |
| Disposals or written-offs during the year | 22,000 | 31,996,269 | 706,459 | 32,724,728 |
| Disposals of Subsidiaries | 11,697,956 | 18,387,141 | 950,438 | 31,035,535 |
| 31 December 2023 | (1,312,265,801) | (1,577,413,953) | (22,769,318) | (2,912,449,072) |
| Provision for impairment | | | | |
| 31 December 2022 | - | (2,685,549) | - | (2,685,549) |
| Accrued during the year | - | (10,363,383) | - | (10,363,383) |
| Disposals of Subsidiaries | - | 2,685,549 | - | 2,685,549 |
| 31 December 2023 | - | (10,363,383) | - | (10,363,383) |
| Carrying amount | | | | |
| 31 December 2023 | 4,569,838,958 | 1,223,744,715 | 1,498,896 | 5,795,082,569 |
| 31 December 2022 | 4,711,103,690 | 1,313,778,759 | 3,255,523 | 6,028,137,972 |

As at 31 December 2023, ownership restricted net value of fixed assets is RMB 37,985,117 (31 December 2022: RMB303,897,124), referring to Note V. 53.

(2) Temporarily idle fixed assets

| <i>Item</i> | <i>Cost</i> | <i>Accumulated depreciation</i> | <i>Provision for impairment</i> | <i>Carrying amount</i> |
|---------------------|-------------|---------------------------------|---------------------------------|------------------------|
| Machinery equipment | 29,423,698 | (19,060,315) | (10,363,383) | - |
| Total | 29,423,698 | (19,060,315) | (10,363,383) | - |

(3) Fixed assets leased out under operating leases

| <i>Item</i> | <i>Carrying amount at the end of the year</i> |
|---------------------|---|
| Plant & buildings | 89,996,993 |
| Machinery equipment | 931 |

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 | 260,797,650 | Processing |
| Buildings and boiler houses of KOYA Brand | 167,954,341 | Processing |
| European town, main building and service building of AFIP | 158,783,634 | Processing |
| Fermentation shop of Zhangyu (Jingyang) | 4,296,086 | Processing |
| Office, experiment building and workshop of Fermentation Centre | 4,163,331 | Processing |
| Finished goods warehouse and workshop of Kylin Packaging | 1,943,460 | Processing |
| Others | 874,037 | 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>2023</i> | | | <i>2022</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> |
| Nnigxia Chateau museum construction project | 1,376,147 | - | 1,376,147 | - | - | - |
| Museum construction project | - | - | - | 32,981,419 | - | 32,981,419 |
| Shihezi Chateau Construction Project | 700,000 | - | 700,000 | 7,065,744 | - | 7,065,744 |
| Other Companies' Construction Project | 1,247,094 | - | 1,247,094 | 886,998 | - | 886,998 |
| Total | 3,323,241 | - | 3,323,241 | 40,934,161 | - | 40,934,161 |

(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 2023 (%)</i> | <i>Sources of funding</i> |
|--------------------------------------|---------------------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------------|----------------------------|--|---|---|---|-------------------------------|
| Museum construction project | 51 | 32,981,419 | - | - | (32,981,419) | - | 100% | - | - | - | Self-raised |
| Shihezi Chateau Construction Project | 780 | 7,065,744 | 700,000 | (7,065,744) | - | 700,000 | 98% | - | - | - | 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 2022 | 23,405,557 | 252,471,374 | 275,876,931 |
| Additions during the year | | | |
| - Increase in cultivated | 10,319,864 | - | 10,319,864 |
| - Transferred to mature | (83,870) | 83,870 | - |
| Decrease during the year | (850,105) | (3,716,924) | (4,567,029) |
| 31 December 2023 | 32,791,446 | 248,838,320 | 281,629,766 |
| Accumulated amortisation | | | |
| 31 December 2022 | - | (91,456,190) | (91,456,190) |
| Charge for the year | - | (13,800,290) | (13,800,290) |
| Decrease during the year | - | 1,088,697 | 1,088,697 |
| 31 December 2023 | - | (104,167,783) | (104,167,783) |
| Carrying amount | | | |
| 31 December 2023 | 32,791,446 | 144,670,537 | 177,461,983 |
| 31 December 2022 | 23,405,557 | 161,015,184 | 184,420,741 |

As at 31 December 2023, there is no biological asset with ownership restricted (31 December 2022: Nil).

As at 31 December 2023, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2022: Nil).

14 Right-of-use assets

As a lessee

| <i>Item</i> | <i>Plant&buildings</i> | <i>Lands</i> | <i>Others</i> | <i>Total</i> |
|--------------------------------------|----------------------------|--------------|---------------|--------------|
| Cost | | | | |
| Balance at the beginning of the year | 84,818,532 | 137,980,409 | 1,697,986 | 224,496,927 |
| Additions during the year | 3,966,354 | - | - | 3,966,354 |
| Derecognition of right-of-use assets | (8,359,502) | - | - | (8,359,502) |
| Balance at the end of the year | 80,425,384 | 137,980,409 | 1,697,986 | 220,103,779 |
| Accumulated depreciation | | | | |
| Balance at the beginning of the year | (33,923,955) | (49,667,021) | (1,018,792) | (84,609,768) |
| Charge for the year | (16,031,558) | (5,736,448) | (339,597) | (22,107,603) |
| Derecognition of right-of-use assets | 8,359,502 | - | - | 8,359,502 |
| Balance at the end of the year | (41,596,011) | (55,403,469) | (1,358,389) | (98,357,869) |
| Carrying amounts | | | | |
| At the end of the year | 38,829,373 | 82,576,940 | 339,597 | 121,745,910 |
| At the beginning of the year | 50,894,577 | 88,313,388 | 679,194 | 139,887,159 |

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 2022 | 475,770,881 | 101,979,429 | 189,575,068 | 767,325,378 |
| Additions during the year | | | | |
| - Purchase | 76,329 | 1,680,094 | 151,673 | 1,908,096 |
| Decrease during the year | | | | |
| - Disposals | (31,326,363) | (771,307) | (11,003) | (32,108,673) |
| 31 December 2023 | 444,520,847 | 102,888,216 | 189,715,738 | 737,124,801 |
| Accumulated amortisation | | | | |
| 31 December 2022 | (110,698,068) | (62,835,583) | (15,550,881) | (189,084,532) |
| Additions during the year | | | | |
| - Charge for the year | (8,864,116) | (7,611,775) | (456,971) | (16,932,862) |
| Decrease during the year | | | | |
| - Disposal | 10,746,374 | 768,895 | 3,100 | 11,518,369 |
| 31 December 2023 | (108,815,810) | (69,678,463) | (16,004,752) | (194,499,025) |
| Carrying amount | | | | |
| 31 December 2023 | 335,705,037 | 33,209,753 | 173,710,986 | 542,625,776 |
| 31 December 2022 | 365,072,813 | 39,143,846 | 174,024,187 | 578,240,846 |

As at 31 December 2023, the Group has land use right with infinite useful lives of RMB 32,863,731 (31 December 2022: RMB32,376,235), 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 2023, the Group has trademark with infinite useful lives of RMB 155,447,037 (31 December 2022: RMB155,345,421), 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 13.3% and 13.9%, (2022 :13.0%-14.1%). The estimated long-term average growth rate of cash flows after 5 years is 0.0% - 2.5% (2022: 0.0% - 2.5%), which represents the long-term average growth rate for the industry or the region in which the company operates.

According to the result of impairment assessment, by the end of 31 December 2023, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2023, there is no ownership restricted net value of intangible assets. (31 December 2022: RMB 169,385,254).

16 Goodwill

(1) Changes in goodwill

| <i>Name of investee or events from which goodwill arose</i> | <i>Note</i> | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Disposals during the year</i> | <i>31 December 2023</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 | | | | | |
| Australia Kilikanoon Estate | | (37,063,130) | - | - | (37,063,130) |
| Dicot Partners, S.L ("Dicot") | | (5,210,925) | - | - | (5,210,925) |
| Sub-total | | (42,274,055) | - | - | (42,274,055) |
| Carrying amount | | 107,163,616 | - | - | 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 2023, 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 10.7%, 9.1%, and 13.3%, respectively (2022: 11.4%, 10.8%, and 13.0%). 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.

17 Long-term deferred expenses

| <i>Item</i> | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Amortisation for the year</i> | <i>31 December 2023</i> |
|-----------------------|-------------------------|----------------------------------|----------------------------------|-------------------------|
| Land requisition fee | 45,043,781 | - | (1,778,943) | 43,264,838 |
| Greening fee | 118,996,004 | - | (8,680,919) | 110,315,085 |
| Leasehold improvement | 103,895,364 | 50,256,817 | (7,514,688) | 146,637,493 |
| Others | 6,764,083 | 220,500 | (539,892) | 6,444,691 |
| Total | 274,699,232 | 50,477,317 | (18,514,442) | 306,662,107 |

18 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

| <i>Item</i> | <i>31 December 2023</i> | | <i>31 December 2022</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 | 41,029,365 | 10,563,366 | 31,605,614 | 8,024,903 |
| Unrealised profits of intra-group transactions | 403,653,124 | 100,913,281 | 431,328,252 | 107,832,063 |
| Unpaid bonus | 138,873,637 | 34,718,409 | 132,673,269 | 33,168,317 |
| Termination benefits | 8,475,845 | 2,118,961 | 9,422,154 | 2,355,538 |
| Deductible tax losses | 261,937,563 | 61,634,797 | 285,560,642 | 67,483,931 |
| Deferred income | 32,582,734 | 7,021,304 | 38,389,058 | 8,288,411 |
| Effects of Restricted Share Incentive Plan | 17,614,180 | 4,370,992 | - | - |
| Effect of the lease standard | 708,367 | 177,094 | 837,972 | 209,493 |
| Sub-total | 904,874,815 | 221,518,204 | 929,816,961 | 227,362,656 |
| Deferred tax liabilities: | | | | |
| Revaluation due to business combinations involving entities not under common control | 26,659,530 | 7,718,480 | 43,651,105 | 10,577,065 |
| Effect of the lease standard | 3,995,628 | 1,001,249 | 2,759,468 | 689,867 |
| Sub-total | 30,655,158 | 8,719,729 | 46,410,573 | 11,266,932 |

(2) Details of unrecognised deferred tax assets

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|-----------------------|-------------|-------------|
| Deductible tax losses | 420,651,124 | 352,775,161 |

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

| <i>Year</i> | <i>2023</i> | <i>2022</i> |
|-------------|-------------|-------------|
| 2023 | - | 22,801,737 |
| 2024 | 36,171,778 | 42,088,453 |
| 2025 | 70,528,510 | 75,724,538 |
| 2026 | 68,479,171 | 72,197,891 |
| 2027 | 128,025,572 | 139,962,542 |
| 2028 | 117,446,093 | - |
| Total | 420,651,124 | 352,775,161 |

19 Other non-current assets

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|------------------------------|-------------|-------------|
| Prepaid for Construction fee | 1,760,000 | - |

20 Short-term loans

Short-term loans by category:

| <i>Item</i> | 2023 | 2022 |
|------------------|-------------|-------------|
| Unsecured loans | 178,605,850 | 227,866,802 |
| Mortgaged loans | 163,103,275 | 127,908,137 |
| Guaranteed loans | 23,272,320 | 33,603,541 |
| Total | 364,981,445 | 389,378,480 |

As at 31 December 2023, details of short-term borrowings were as follows:

| | <i>Amount</i> | <i>Exchange rate</i> | <i>Amount</i> | <i>Nature of interest rate</i> | <i>Interest rate</i> | <i>Interest rate at the end of the year</i> |
|-----------------------|---------------|----------------------|---------------|--------------------------------|----------------------|---|
| | | | <i>RMB</i> | | <i>%</i> | <i>%</i> |
| Credit loans (RMB) | 100,000,000 | 1.0000 | 100,000,000 | Floating | 1 Year LPR - 0.95% | 2.70% |
| Credit loans (USD) | 1,000,000 | 7.0871 | 7,087,130 | Fixed | 7.30% | 7.30% |
| Credit loans (EUR) | 9,100,000 | 7.8592 | 71,518,720 | Floating | 3.90% ~ 6.95% | 3.90% ~ 6.95% |
| Mortgaged loans (EUR) | 9,368,417 | 7.8592 | 73,628,264 | Floating | 4.35% ~ 5.40% | 4.35% ~ 5.40% |
| Mortgaged loans (USD) | 12,625,000 | 7.0871 | 89,475,011 | Fixed | 6.83% ~ 7.30% | 6.83% ~ 7.30% |
| Secured loan (AUD) | 4,800,000 | 4.8484 | 23,272,320 | Floating | 1.81% ~ 2.54% | 1.81% ~ 2.54% |
| Total | | | 364,981,445 | | | |

- As at 31 December 2023, mortgaged loans (EUR) were Hacienda y Viñedos Marques del Atrio, S.L.U (“Atrio”) factoring of accounts receivable from banks including Banco ANTANDER, BBVA, CAIXABANK of EUR 9,368,417 (equivalent of RMB 73,628,264) (31 December 2022: EUR8,080,778 (equivalent of RMB59,982,807)).
- On 31 December 2023, Chile Indomita Wine Group pledged its fixed assets to Banco Scotiabank and Banco de Chile to borrow USD 12,625,000 (equivalent to RMB 89,475,011) (31 December 2022: USD9,750,000 (equivalent to RMB67,925,330)).
- On 31 December 2023, the secured loan represented the secured loan of Australia Kilikanoon Estate of AUD4,800,000 (equivalent to RMB23,272,320) (31 December 2022: AUD7,128,758, equivalent to RMB33,603,541).

21 Accounts payable

(1) Details of advance payments received are as follows:

| <i>Ageing</i> | 2023 | 2022 |
|---|-------------|-------------|
| Within 1 year (inclusive) | 459,106,370 | 466,035,065 |
| Over 1 year but within 2 years (inclusive) | 10,654,983 | 34,588,275 |
| Over 2 years but within 3 years (inclusive) | 990,316 | 1,637,390 |
| Over 3 years | 2,600,856 | 1,063,016 |
| Total | 473,352,525 | 503,323,746 |

(2) There is no significant advance payments received with ageing of more than one year.

22 Contract liabilities

| <i>Item</i> | <i>As at 31 December 2023</i> | <i>As at 1 January 2023</i> |
|---------------------------|-----------------------------------|---------------------------------|
| Receipt in advance | 174,757,233 | 164,437,033 |
| Withholding sales rebates | 521,616 | 1,290,958 |
| Total | 175,278,849 | 165,727,991 |

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 2022</i> | <i>Additions during the year</i> | <i>Decrease during the year</i> | <i>31 December 2023</i> |
|---|-------------|-------------------------|--------------------------------------|-------------------------------------|-------------------------|
| Short-term employee benefits | (2) | 173,197,491 | 453,422,444 | (450,084,972) | 176,534,963 |
| Post-employment benefits - defined contribution plans | (3) | 331,893 | 36,838,982 | (36,850,391) | 320,484 |
| Termination benefits | | 9,422,154 | 3,537,949 | (4,484,258) | 8,475,845 |
| Total | | 182,951,538 | 493,799,375 | (491,419,621) | 185,331,292 |

(2) Short-term employee benefits

| | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Decrease during the year</i> | <i>31 December 2023</i> |
|--|-------------------------|--------------------------------------|-------------------------------------|-------------------------|
| Salaries, bonuses, allowances | 169,643,402 | 395,188,658 | (391,481,809) | 173,350,251 |
| Staff welfare | 1,460,170 | 23,794,432 | (24,007,235) | 1,247,367 |
| Social insurance | 307,244 | 17,496,294 | (17,508,522) | 295,016 |
| Medical insurance | 307,244 | 15,679,097 | (15,691,325) | 295,016 |
| Work-related injury insurance | - | 1,347,906 | (1,347,906) | - |
| Maternity insurance | - | 469,291 | (469,291) | - |
| Housing fund | 38,582 | 11,384,809 | (11,384,809) | 38,582 |
| Labour union fee, staff and workers' education fee | 1,748,093 | 5,558,251 | (5,702,597) | 1,603,747 |
| Total | 173,197,491 | 453,422,444 | (450,084,972) | 176,534,963 |

(3) Post-employment benefits - defined contribution plans

| | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Decrease during the year</i> | <i>31 December 2023</i> |
|-------------------------|-------------------------|--------------------------------------|-------------------------------------|-------------------------|
| Basic pension insurance | 330,660 | 35,627,108 | (35,638,517) | 319,251 |
| Unemployment insurance | 1,233 | 1,211,874 | (1,211,874) | 1,233 |
| Total | 331,893 | 36,838,982 | (36,850,391) | 320,484 |

24 Taxes payable

| <i>Item</i> | 2023 | 2022 |
|--|-------------|-------------|
| Value-added tax | 65,545,854 | 42,260,465 |
| Consumption tax | 50,879,210 | 45,524,174 |
| Corporate income tax | 134,574,175 | 131,264,991 |
| Individual income tax | 1,414,309 | 1,199,990 |
| Tax on the use of urban land | 1,730,986 | 1,899,840 |
| Education surcharges | 5,072,436 | 2,731,857 |
| Urban maintenance and construction tax | 6,787,018 | 6,168,990 |
| Others | 8,719,443 | 8,645,595 |
| Total | 274,723,431 | 239,695,902 |

25 Other payables

| | <i>Note</i> | 31 December 2023 | 31 December 2022 |
|-------------------|-------------|------------------|------------------|
| Interest payable | | - | 88,889 |
| Dividends payable | | - | 70,317 |
| Others | (1) | 555,634,336 | 372,449,483 |
| Total | | 555,634,336 | 372,608,689 |

(1) Others

(a) Details of others by nature are as follows:

| <i>Item</i> | 2023 | 2022 |
|--|-------------|-------------|
| Deposit payable to dealer | 194,060,993 | 207,492,570 |
| Advertising fee payable | 104,815,517 | 40,244,601 |
| Payables for repurchase of treasury shares | 103,411,919 | - |
| Trademarks | 27,515,798 | - |
| Freight charges payable | 22,301,368 | 25,894,816 |
| Deposits due to suppliers | 18,284,971 | 13,549,010 |
| Equipment and construction fee payable | 14,832,439 | 15,976,573 |
| Payables for equities | 14,623,377 | - |
| Contracting fee payable | 3,360,355 | 7,407,093 |
| Staff deposit | 462,672 | 508,175 |
| Others | 51,964,927 | 61,376,645 |
| Total | 555,634,336 | 372,449,483 |

(b) There are no significant others aged over one year accrued this year.

26 Other current liabilities

| <i>Item</i> | 2023 | 2022 |
|--|------------|------------|
| Refund liabilities arising from rights of return | 24,869,246 | - |
| Tax to be transferred out as sales | 20,089,051 | 18,945,706 |
| Total | 44,958,297 | 18,945,706 |

27 Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

| <i>Item</i> | 2023 | 2022 |
|--|------------|-------------|
| Long-term loans due within one year | 58,510,868 | 103,011,894 |
| Long-term payables due within one year | - | 22,000,000 |
| Lease liabilities due within one year | 20,013,125 | 19,008,940 |
| Total | 78,523,993 | 144,020,834 |

28 Long-term loans

Long-term loans by category

| <i>Item</i> | 2023 | 2022 |
|---|-------------|-------------|
| Credit loans | 125,127,311 | 186,342,909 |
| Guaranteed loans | - | 44,781,100 |
| Less: Long-term loans due within one year | 58,510,868 | 103,011,894 |
| Total | 66,616,443 | 128,112,115 |

As at 31 December 2023, details of long-term borrowings were as follows:

| | <i>Amount</i> | <i>Exchange rate</i> | <i>Amount</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> |
|--------------------|---------------|----------------------|---------------|--------------------------------|----------------------|---|--|---|
| | | | <i>RMB</i> | | <i>%</i> | <i>%</i> | | |
| Credit loans (EUR) | 745,687 | 7.8592 | 5,860,499 | Fixed | 1.50% - 3.28% | 1.50% - 3.28% | 5,737,711 | 122,788 |
| Credit loans (EUR) | 15,175,439 | 7.8592 | 119,266,812 | Floating | 2.00% ~ 7.59% | 2.00% ~ 7.59% | 52,773,157 | 66,493,655 |
| Total | | | 125,127,311 | | | | 58,510,868 | 66,616,443 |

As at 31 December 2023, Credit loans (EUR) were EUR 15,921,126 borrowed by Banco Sabadell, Bankia, Banco Santander, BBVA, Caja Rural de Navarr etc. (equivalent of RMB 125,127,311 (31 December 2022: EUR25,103,788, equivalent of RMB186,342,909).

29 Lease liabilities

| <i>Item</i> | <i>Note</i> | 2023 | 2022 |
|---|-------------|-------------|-------------|
| Long-term lease liabilities | | 105,051,460 | 128,514,033 |
| Less: Lease liabilities due within one year | V.27 | 20,013,125 | 19,008,940 |
| Total | | 85,038,335 | 109,505,093 |

30 Long-term payables

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--|-------------|-------------|
| Agricultural Development Fund of China | - | 64,000,000 |
| Less: Long-term payables due within one year | - | 22,000,000 |
| Balance of long-term payables | - | 42,000,000 |

In 2016, RMB 305,000,000, 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. As at 31 December 2023, the Group has repaid the amount in full.

31 Deferred income

| <i>Item</i> | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Decrease during the year</i> | <i>31 December 2023</i> |
|-------------------|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Government grants | 38,389,058 | 4,000,000 | (9,806,324) | 32,582,734 |

Government grants:

| <i>Liability</i> | <i>31 December 2022</i> | <i>Additions of government grants during the year</i> | <i>Amounts recognised in other income during the year</i> | <i>31 December 2023</i> | <i>Related to assets/income</i> |
|--|-------------------------|---|---|-------------------------|-------------------------------------|
| Industrial development support project | 16,400,000 | - | (4,100,000) | 12,300,000 | Government grants related to assets |
| Retaining wall subsidies | 5,973,333 | 3,500,000 | (638,000) | 8,835,333 | Government grants related to assets |
| Xinjiang industrial revitalisation and technological transformation project | 9,954,000 | - | (1,422,000) | 8,532,000 | Government grants related to assets |
| Wine fermentation capacity construction project | 1,600,000 | - | (400,000) | 1,200,000 | Government grants related to assets |
| Special fund for efficient water-saving irrigation project | 991,000 | - | (162,000) | 829,000 | Government grants related to assets |
| Subsidy for economic and energy-saving technological transformation projects | 513,200 | - | (128,300) | 384,900 | Government grants related to assets |
| Subsidies for construction of scenic spots | - | 250,000 | (4,216) | 245,784 | Government grants related to assets |
| Subsidy for mechanic development of Penglai Daliuhang Base | 90,408 | - | (34,691) | 55,717 | Government grants related to assets |
| Special funds for cellar maintenance | 2,079,711 | - | (2,079,711) | - | Government grants related to assets |
| Engineering technology transformation of information system project | 580,000 | - | (580,000) | - | Government grants related to assets |
| Leisure agriculture subsidies from Jugezhuang government | - | 250,000 | (50,000) | 200,000 | Related to income |
| Special Funds for Innovation-Driven Development of Yantai City | 172,406 | - | (172,406) | - | Related to income |
| Prize from Industrial Design Competition of Yantai Mayor's Cup | 35,000 | - | (35,000) | - | Related to income |
| Total | 38,389,058 | 4,000,000 | (9,806,324) | 32,582,734 | |

32 *Share capital*

| | <i>Balance at the beginning of the year</i> | <i>Changes during the year</i> | <i>Balance at the end of the year</i> |
|---------------------------------------|---|--------------------------------|---------------------------------------|
| | | <i>Issuance of new shares</i> | |
| Unrestricted RMB ordinary shares | 453,460,800 | - | 453,460,800 |
| Restricted RMB ordinary shares (Note) | - | 6,785,559 | 6,785,559 |
| Foreign shares listed domestically | 232,003,200 | - | 232,003,200 |
| Total shares | 685,464,000 | 6,785,559 | 692,249,559 |

Note: The Proposal on the Company's 2023 Restricted Share Incentive Plan (Draft) and Relevant Summary and the Proposal on the Request for the Authorisation to the Board of Directors by the General Meetings of Shareholders to Handle Matters related to the Company's 2023 Restricted Share Incentive Plan were passed by resolutions in the Group's 2022 General Meetings of Shareholders held on 26 May 2023. In addition, the Proposal on the Adjustments to Matters related to 2023 Restricted Share Incentive Plan and the Proposal on the Granting of Restricted Shares to Incentive Objects under the 2023 Restricted Share Incentive Plan were reviewed and passed in the 2023 first extraordinary Board meeting held on 26 June 2023 (hereinafter referred to as the "Restricted Share Incentive Plan", see Note XIII for details). The Group determined to grant 6,850,000 restricted shares to 204 incentive objects at a grant price of RMB15.24 per share on 26 June 2023 (the grant date). A total of 203 incentive objects of the Group actually subscribed for 6,785,559 restricted shares at a grant price of RMB15.24 per share. The transaction increased the Company's registered capital by RMB6,785,559, increased the capital reserve by RMB96,626,360 and recognised the repurchase obligation on restricted shares of RMB103,411,919.

33 *Capital reserve*

| <i>Items</i> | <i>Note</i> | <i>31 December 2022</i> | <i>Additions during the year</i> | <i>Decrease during the year</i> | <i>31 December 2023</i> |
|---------------|-------------|-------------------------|----------------------------------|---------------------------------|-------------------------|
| Share premium | (1) | 519,052,172 | 96,626,360 | - | 615,678,532 |
| Others | (2) | 5,916,588 | 30,735,755 | (1,244,168) | 35,408,175 |
| Total | | 524,968,760 | 127,362,115 | (1,244,168) | 651,086,707 |

- (1) During the reporting period, the Group's issuance of restricted shares in connection with the implementation of the Restricted Share Plan resulted in an increase in share premium of RMB96,626,360, see Note V.32 for details.
- (2) During the reporting period, the Group's recognition of amortisation expenses in connection with the implementation of the Restricted Share Plan resulted in an increase in capital reserve of RMB30,735,755.

As a result of the Company's acquisition of non-controlling interests in Liaoning Changyu Ice Wine Chateau Co., Ltd., the difference between the long-term equity investment acquired and the share of net assets continuously calculated since the acquisition date by the subsidiary based on the proportion of newly increased shareholding was recognised in capital reserve, resulting in a decrease in capital reserve by RMB1,244,168, see Note VIII.2 for details.

34 Treasury shares

| <i>Item</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> |
|-----------------|---|----------------------------------|---------------------------------|---------------------------------------|
| Treasury shares | - | 103,411,919 | - | 103,411,919 |
| Total | - | 103,411,919 | - | 103,411,919 |

The increase in treasury shares during the reporting period was due to the repurchase obligation of RMB103,411,919 arising from the granting of restricted shares to incentive objects in connection with the implementation of the Restricted Share Plan, see Note V.32 for details.

35 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 | (23,760,238) | 9,519,495 | - | - | 8,975,561 | 543,934 | (14,784,677) |

36 Surplus reserve

| <i>Item</i> | <i>31 December 2023</i> | <i>31 December 2022</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 2023 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.

37 Retained earnings

| <i>Item</i> | <i>Note</i> | <i>2023</i> | <i>2022</i> |
|---|-------------|---------------|---------------|
| Retained earnings at the beginning of the year | | 9,049,649,211 | 8,929,426,600 |
| Add: Net profits for the year attributable to shareholders of the Company | | 532,438,907 | 428,681,411 |
| Less: Dividends to ordinary shares | (1) | (308,458,800) | (308,458,800) |
| Retained earnings at the end of the year | (2) | 9,273,629,318 | 9,049,649,211 |

(1) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 26 May 2023, the Company paid cash dividends to shareholders on June 16, 2023 and June 21, 2023, a cash dividend of RMB 0.45 per share (2022: RMB0.45 per share), totalling RMB 308,458,800 (2022 : RMB308,458,800).

(2) Retained earnings at the end of the year

As at 31 December 2023, the consolidated retained earnings attributable to the Company included an appropriation of RMB 55,900,659 (2022: RMB58,180,889) to surplus reserve made by the subsidiaries.

38 Operating income and operating costs

| <i>Item</i> | <i>2023</i> | | <i>2022</i> | |
|--|---------------|---------------|---------------|---------------|
| | <i>Income</i> | <i>Cost</i> | <i>Income</i> | <i>Cost</i> |
| Principal activities | 4,309,556,631 | 1,754,792,956 | 3,860,311,318 | 1,651,154,424 |
| Other operating activities | 75,207,704 | 32,190,701 | 58,629,842 | 29,640,308 |
| Total | 4,384,764,335 | 1,786,983,657 | 3,918,941,160 | 1,680,794,732 |
| Including: Revenue from contracts with customers | 4,380,255,840 | 1,783,149,498 | 3,916,599,934 | 1,679,459,968 |
| Rent income | 4,508,495 | 3,834,159 | 2,341,226 | 1,334,764 |

(1) Disaggregation of revenue from contracts with customers:

| <i>Type of contract</i> | <i>2023</i> | <i>2022</i> |
|---|---------------|---------------|
| By type of goods or services | | |
| - Liquor | 4,309,556,631 | 3,860,311,318 |
| - Others | 70,699,209 | 56,288,616 |
| By timing of transferring goods or services | | |
| - Revenue recognised at a point in time | 4,380,255,840 | 3,916,599,934 |

(2) Geographical regions of operating income and operating costs :

| <i>Type of contract</i> | <i>2023</i> | | <i>2022</i> | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | <i>Income</i> | <i>Cost</i> | <i>Income</i> | <i>Cost</i> |
| By geographical regions | | | | |
| - China | 3,761,534,793 | 1,378,286,484 | 3,320,757,555 | 1,283,478,621 |
| - Other countries and regions | 623,229,542 | 408,697,173 | 598,183,605 | 397,316,111 |
| Total | 4,384,764,335 | 1,786,983,657 | 3,918,941,160 | 1,680,794,732 |

39 Taxes and surcharges

| <i>Item</i> | 2023 | 2022 |
|--|-------------|-------------|
| Consumption tax | 239,887,676 | 198,284,289 |
| Urban maintenance and construction tax | 35,197,172 | 28,067,931 |
| Education surcharges | 23,177,137 | 19,554,864 |
| Property tax | 34,003,219 | 28,150,521 |
| Tax on the use of urban land | 10,331,175 | 11,403,394 |
| Stamp duty | 5,289,257 | 3,230,856 |
| Others | 1,849,935 | 964,772 |
| Total | 349,735,571 | 289,656,627 |

40 Selling and distribution expenses

| <i>Item</i> | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Marketing fee | 490,535,793 | 322,593,973 |
| Salaries and benefits | 290,154,434 | 282,395,182 |
| Labour service fee | 93,243,814 | 108,784,934 |
| Advertising fee | 75,527,637 | 75,862,425 |
| Depreciation expense | 48,882,915 | 47,509,217 |
| Design and production fee | 32,182,656 | 30,594,519 |
| Travelling expenses | 29,318,913 | 23,759,493 |
| Trademarks expenses | 27,515,798 | 21,877,171 |
| Storage rental | 27,290,488 | 25,572,282 |
| Restricted share incentive plan fee | 22,929,489 | - |
| Conference fee | 19,309,557 | 8,735,659 |
| Water, electricity and gas fee | 16,830,073 | 16,438,410 |
| Others | 66,061,209 | 64,842,873 |
| Total | 1,239,782,776 | 1,028,966,138 |

41 General and administrative expenses

| <i>Item</i> | 2023 | 2022 |
|-------------------------------------|-------------|-------------|
| Salaries and benefits | 80,051,089 | 73,824,670 |
| Depreciation expenses | 89,486,538 | 85,366,361 |
| Repair costs | 11,978,855 | 11,853,538 |
| Administrative expenses | 19,929,523 | 23,586,680 |
| Amortisation of greening fee | 17,409,398 | 17,846,265 |
| Amortisation expenses | 16,202,523 | 18,057,909 |
| Safety production costs | 10,743,063 | 11,539,602 |
| Security and cleaning fee | 8,326,301 | 8,530,050 |
| Restricted share incentive plan fee | 7,806,266 | - |
| Contracting fee | 4,337,738 | 4,309,290 |
| Others | 37,719,564 | 32,691,166 |
| Total | 303,990,858 | 287,605,531 |

42 Financial expenses

| <i>Item</i> | 2023 | 2022 |
|---|--------------|--------------|
| Interest expenses from loans and payables | 31,297,810 | 22,174,501 |
| Interest expenses from lease liabilities | 4,502,287 | 4,682,389 |
| Interest income from deposits | (30,571,465) | (24,186,351) |
| Exchange losses | 5,002,117 | 3,301,716 |
| Other financial expenses | 852,710 | 1,283,952 |
| Total | 11,083,459 | 7,256,207 |

43 Other income

| <i>Item</i> | 2023 | 2022 | <i>Related to assets/income</i> |
|--|------------|------------|-------------------------------------|
| Industrial development support project | 4,100,000 | 4,100,000 | Government grants related to assets |
| Special funds for the maintenance of wine cellars | 2,079,711 | - | Government grants related to assets |
| Xinjiang Industrial Revitalization and Technological Transformation Project | 1,422,000 | 1,422,000 | Government grants related to assets |
| Subsidies for retaining wall | 638,000 | - | Government grants related to assets |
| Engineering technology transformation of information system project | 580,000 | - | Government grants related to assets |
| Wine production capacity construction project | 400,000 | 400,000 | Government grants related to assets |
| Special subsidies for infrastructure support | - | 1,060,000 | Government grants related to assets |
| Others - Government grants related to assets | 329,207 | 2,152,842 | Government grants related to assets |
| Tax rebates | 19,533,196 | 7,592,342 | Related to income |
| Special funds for the development of enterprises | 9,237,716 | 8,380,737 | Related to income |
| Wine Industry Development Project | 2,684,281 | 2,773,000 | Related to income |
| Talent development funds from Shihezi government | 1,500,000 | - | Related to income |
| Funds for rural revitalisation, technological innovation and enhancement action plan | 1,170,000 | - | Related to income |
| Funds for the integration development project of agricultural industry | 1,000,000 | - | Related to income |
| Others - Government grants related to income | 6,849,688 | 5,264,519 | Related to income |
| Total | 51,523,799 | 33,145,440 | |

Other income during reporting period has been included in non-recurring gains and losses.

44 Investment income/(losses)

Investment losses by items

| <i>Item</i> | <i>NOTE</i> | <i>2023</i> | <i>2022</i> |
|---|-------------|-------------|-------------|
| Long-term equity investment losses under equity method | | (712,480) | (1,605,469) |
| Investment profit/(loss) arising from disposal of subsidiaries and long-term equity investments | VII.2 | 24,559,930 | (1,842,325) |
| Total | | 23,847,450 | (3,447,794) |

45 Credit reversal

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|---------------------|-------------|-------------|
| Accounts receivable | 1,397,658 | 4,752,797 |
| Total | 1,397,658 | 4,752,797 |

46 Impairment losses

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--------------|-------------|-------------|
| Fixed assets | 10,363,383 | - |
| Inventories | 3,143,575 | 578,745 |
| Goodwill | - | 5,210,925 |
| Total | 13,506,958 | 5,789,670 |

47 Loss from asset disposals

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|------------------------------------|-------------|-------------|
| Loss from disposal of fixed assets | 134,133 | 16,191,903 |

Loss from disposal of assets during reporting period has been included in non-recurring gains and losses.

48 Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|------------------------|-------------|-------------|
| Net income from fine | 9,325,229 | 566,334 |
| Insurance compensation | 452,242 | 3,038,560 |
| Others | 2,214,799 | 3,227,915 |
| Total | 11,992,270 | 6,832,809 |

Non-operating income during reporting period has been included in non-recurring gains and losses.

(2) Non-operating expenses

| <i>Item</i> | 2023 | 2022 |
|--|-----------|-----------|
| Donations provided | 1,212,015 | 693,625 |
| Losses from scrapping of packaging materials | 1,137,256 | - |
| Losses from disposal of non-current assets | 573,560 | 867,796 |
| Compensation, penalty and fine expenses | 80,403 | 723,161 |
| Others | 425,176 | 665,409 |
| Total | 3,428,410 | 2,949,991 |

Non-operating expenses during reporting period has been included in non-recurring gains and losses.

49 Income tax expenses

| <i>Item</i> | <i>Note</i> | 2023 | 2022 |
|---|-------------|-------------|-------------|
| Current tax expense for the year based on tax law and regulations | | 216,588,992 | 176,922,552 |
| Changes in deferred tax assets/liabilities | (1) | 4,844,455 | 17,311,037 |
| Total | | 221,433,447 | 194,233,589 |

(1) The analysis of changes in deferred tax is set out below:

| <i>Item</i> | 2023 | 2022 |
|--------------------------------------|-----------|------------|
| Origination of temporary differences | 4,844,455 | 17,311,037 |
| Total | 4,844,455 | 17,311,037 |

(2) Reconciliation between income tax expenses and accounting profit:

| <i>Item</i> | 2023 | 2022 |
|--|-------------|-------------|
| Profit before taxation | 747,466,156 | 625,582,303 |
| Estimated income tax at 25% | 186,866,539 | 156,395,576 |
| Effect of different tax rates applied by subsidiaries | 2,070,828 | 3,875,636 |
| Effect of non-deductible costs, expense and losses | 4,978,035 | 6,207,982 |
| Effect of deductible losses of deferred tax assets not recognised for the year | 25,756,996 | 26,681,652 |
| Deferred tax assets written-off | 1,761,049 | 1,072,743 |
| Income tax expenses | 221,433,447 | 194,233,589 |

50 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:

| | 2023 | 2022 |
|--|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 532,438,907 | 428,681,411 |
| Weighted average number of ordinary shares outstanding | 685,464,000 | 685,464,000 |
| Basic earnings per share (RMB/share) | 0.78 | 0.63 |

Weighted average number of ordinary shares is calculated as follows:

| | 2023 | 2022 |
|---|-------------|-------------|
| 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) Diluted earnings per share

Diluted earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding (diluted):

| | Note | 2023 | 2022 |
|---|------|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the Company (Dilute) | (a) | 532,438,907 | 428,681,411 |
| Weighted average number of ordinary shares outstanding (Dilute) | (b) | 685,670,893 | 685,464,000 |
| Diluted earnings per share (RMB/share) | | 0.78 | 0.63 |

(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

| | 2023 | 2022 |
|--|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 532,438,907 | 428,681,411 |
| Consolidated net profit attributable to ordinary shareholders of the Company (diluted) | 532,438,907 | 428,681,411 |

- (b) The weighted average number of the Company's ordinary shares (diluted) is calculated as follows:

| | 2023 | 2022 |
|---|-------------|-------------|
| Weighted average number of ordinary shares at 31 December | 685,464,000 | 685,464,000 |
| Diluted adjustments: | | |
| Effects of restricted shares | 206,893 | - |
| Weighted average number of ordinary shares (diluted) at the end of the year | 685,670,893 | 685,464,000 |

51 Cash flow statement

(1) Cash relating to operating activities

- a. Proceeds relating to other operating activities:

| <i>Item</i> | 2023 | 2022 |
|--|-------------|------------|
| Recovery of prior years' trademarks right receivables (Note V.8) | 120,930,641 | - |
| Government grants | 45,677,242 | 30,239,160 |
| Penalty income | 9,325,229 | 566,334 |
| Interest income from bank | 27,375,399 | 22,845,833 |
| Others | 16,077,111 | 8,174,080 |
| Total | 219,385,622 | 61,825,407 |

- b. Payments relating to other operating activities:

| <i>Item</i> | 2023 | 2022 |
|-------------------------------------|-------------|-------------|
| Selling and distribution expenses | 539,874,320 | 443,486,326 |
| General and administrative expenses | 99,254,521 | 92,510,326 |
| Others | 36,569,908 | 46,253,149 |
| Total | 675,698,749 | 582,249,801 |

(2) Cash relating to investing activities

- a. Proceeds relating to significant investing activities:

| <i>Item</i> | 2023 | 2022 |
|----------------------------|-------------|-------------|
| Recovery of fixed deposits | 238,200,000 | 133,200,000 |

- b. Payments relating to significant investing activities:

| <i>Item</i> | 2023 | 2022 |
|--|-------------|-------------|
| Investments in fixed deposits | 464,200,000 | 108,200,000 |
| Acquisition of fixed assets and construction in progress | 110,067,855 | 182,207,269 |

(3) Cash relating to financing activities

a. Proceeds relating to other financing activities:

| <i>Item</i> | 2023 | 2022 |
|--|-------------------|-------------------|
| Payment of capital reduction | 20,674,509 | - |
| Acquisition of non-controlling interests | 14,623,400 | - |
| Cash paid for lease | 31,931,214 | 19,774,744 |
| Total | 67,229,123 | 19,774,744 |

b. Changes in liabilities arising from financing activities

| | <i>Balance at the beginning of the year</i> | <i>Additions during the year</i> | | <i>Decreases during the year</i> | | <i>Balance at the end of the year</i> |
|--|---|----------------------------------|--------------------|----------------------------------|---------------------|---------------------------------------|
| | | <i>Cash</i> | <i>Non-cash</i> | <i>Cash</i> | <i>Non-cash</i> | |
| Short-term loan | 389,378,480 | 557,308,654 | - | (581,705,689) | - | 364,981,445 |
| Long-term loan | 128,112,115 | 16,550,853 | - | (75,199,936) | (2,846,589) | 66,616,443 |
| Lease liabilities | 109,505,093 | - | 3,966,353 | (8,182,353) | (20,250,758) | 85,038,335 |
| Long-term accounts payable | 42,000,000 | - | - | (42,000,000) | - | - |
| Non-current liabilities due within one year | 144,020,834 | - | 23,097,347 | (88,594,188) | - | 78,523,993 |
| Other accounts payable - dividends payable | 70,317 | - | 309,997,116 | (310,067,433) | - | - |
| Other accounts payable - interest payable | 88,889 | - | 35,800,097 | (35,888,986) | - | - |
| Other accounts payable - payables for equities | - | - | 29,246,777 | (14,623,400) | - | 14,623,377 |
| Other accounts payable - payables for repurchase of treasury shares | - | 103,411,919 | - | - | - | 103,411,919 |
| Other accounts payable - Investments returned to minority shareholders | - | - | 20,674,509 | (20,674,509) | - | - |
| Total | 813,175,728 | 677,271,426 | 422,782,199 | (1,176,936,494) | (23,097,347) | 713,195,512 |

52 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> | 2023 | 2022 |
|---|---------------|---------------|
| Net profit | 526,032,709 | 431,348,714 |
| Add: Credit/asset impairment losses | 12,109,300 | 1,036,873 |
| Depreciation of fixed assets and investment property | 317,061,135 | 314,038,019 |
| Amortisation of intangible assets | 16,932,862 | 25,766,271 |
| Amortisation of long-term deferred expenses | 18,514,442 | 19,340,746 |
| Amortisation of biological assets | 13,800,290 | 14,911,694 |
| Depreciation of ROU assets | 22,107,603 | 22,131,592 |
| Losses from disposal of fixed assets, intangible assets, and other long-term assets | 707,693 | 17,059,699 |
| Financial expenses | 32,287,868 | 25,170,658 |
| Equity incentive expenses | 30,735,755 | - |
| Investment (profits)/losses | (23,847,450) | 3,447,794 |
| Decrease in deferred tax assets | 5,174,683 | 17,848,075 |
| Decrease in deferred tax liabilities | (330,228) | (537,038) |
| Decrease/(increase) in gross inventories | 131,877,015 | (101,354,740) |
| (Increase)/decrease in operating receivables | (54,231,481) | 187,564,569 |
| Increase/(decrease) increase in operating payables | 124,159,547 | (108,896,279) |
| Net cash flows from operating activities | 1,173,091,743 | 868,876,647 |

b. Significant investing and financing activities not requiring the use of cash:

| <i>Item</i> | 2023 | 2022 |
|--|------------|------------|
| Payment of construction in progress and other long-term assets by bank acceptances | 13,226,592 | 40,584,152 |

c. Change in cash and cash equivalents:

| <i>Item</i> | 2023 | 2022 |
|---|---------------|---------------|
| Cash equivalents at the end of the year | 1,963,155,752 | 1,612,753,600 |
| Less: Cash equivalents at the beginning of the year | 1,612,753,600 | 1,502,327,029 |
| Net increase in cash and cash equivalents | 350,402,152 | 110,426,571 |

(2) Information on acquisition or disposal of subsidiaries and other business units during the current year:

Information on acquisition of WEIMISS SHANGHAI:

| | 2023 |
|---|-----------|
| Consideration for acquisitions | 5,537,700 |
| Cash or cash equivalents paid during the year for acquiring subsidiaries and other business units during the year | 5,537,700 |
| Less: Cash and cash equivalents held by acquired subsidiaries and other business units | 6,194,749 |
| Net cash received for the acquisition | 657,049 |

For non-cash assets and liabilities held by the acquired subsidiaries and other business units, refer to Note VII.1.

Information on disposal of subsidiaries and other business units:

| | <i>Xinjing Tianzhu</i> | <i>Langfang Castel</i> |
|--|------------------------|------------------------|
| Consideration for disposals | 12,090,000 | 10,921,494 |
| Cash or cash equivalents received during the year for disposing of subsidiaries and other business units during the year | 12,090,000 | 10,921,494 |
| Less: Cash and cash equivalents held by disposed subsidiaries and other business units | 2,451,415 | 251,454 |
| Net cash received for disposing of subsidiaries and other business units | 9,638,585 | 10,670,040 |
| Non-cash assets and liabilities held by disposed subsidiaries and other business units | | |
| - Current assets | 603,781 | 3,977,024 |
| - Non-current assets | 22,865,411 | 9,507,310 |
| - Current liabilities | 23,819 | 1,039,979 |
| - Non-current liabilities | 2,216,975 | - |

(3) Details of cash and cash equivalents

| <i>Item</i> | 2023 | 2022 |
|--|---------------|---------------|
| Cash at bank and on hand | | |
| Including: Cash on hand | 74,951 | 47,954 |
| Bank deposits available on demand | 1,963,080,801 | 1,612,705,646 |
| Closing balance of cash and cash equivalents | 1,963,155,752 | 1,612,753,600 |

53 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 | 10,500,515 | 337,895 | The Company deposits for letters of credit etc. |
| Account receivable (i) | 59,982,807 | 73,628,265 | Short-term borrowings mortgage from Atrio |
| Fixed assets | 303,897,124 | 37,985,117 | Short-term borrowings from Dicot |
| Intangible assets | 169,385,254 | - | R&D Centre mortgage for long-term payables |
| Total | 543,765,700 | 111,951,277 | |

- (i) As at 31 December 2023, the amount of accounts receivable with restricted ownership is EUR 9,368,417 , equivalent of RMB 73,628,265 which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2022: EUR8,080,778, equivalent of RMB 59,982,807).

54 Leases

(1) As a lessee

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--|-------------------|-------------------|
| Short-term lease expenses for which the practical expedient has been applied | 527,463 | 122,097 |
| Total cash outflow for leases | 32,458,677 | 19,896,841 |

The Group leases buildings and motor vehicles with the lease terms of 1 year or less, and all of these leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(2) As a lessor

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--------------|-------------|-------------|
| Lease income | 4,508,495 | 2,341,226 |

The Group leased out some machineries in 2022 and 2023 with a lease term within 1 year. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

VI. Research and development expenses

Presentation by nature

| <i>Item</i> | 2023 | 2022 |
|--|------------|------------|
| Salaries | 6,564,884 | 7,171,522 |
| Diagnostic test fees | 3,448,000 | 1,819,699 |
| Consultancy fee | 3,039,519 | 1,476,996 |
| Material consumption | 2,212,169 | 995,281 |
| Others | 2,148,962 | 3,967,812 |
| Total | 17,413,534 | 15,431,310 |
| Including: research and development expenditures that are expensed | 17,413,534 | 15,431,310 |

VII. Change of consolidation scope

1 Business combinations involving entities not under common control

(1) Business combinations involving entities not under common control occurred during the year

| | <i>Acquisition date of equity investment</i> | <i>Cost of equity investment</i> | <i>Shareholding acquired (%)</i> | <i>Acquisition method</i> | <i>Acquisition date</i> | <i>Basis of acquisition date determination</i> | <i>Acquiree from acquisition date to 31 December 2023</i> | | |
|------------------|--|----------------------------------|----------------------------------|---------------------------|-------------------------|--|---|-------------------|-------------------------|
| | | | | | | | <i>Income</i> | <i>Net profit</i> | <i>Net cash outflow</i> |
| Weimiss Shanghai | 01/31/2023 | 5,537,700 | 70% | Equity transfer | 01/31/2023 | Transfer of controls | 1,673,699 | 225,842 | 90,627 |

Weimiss Shanghai is a company registered in Shanghai on 20 August 2020 and is engaged in Beijing Wanfeng. The Company held 30% of the equity and Beijing Wanfeng Trading Co., Ltd. held 70% of the equity at the time of incorporation. This entity is mainly engaged in the wine and food operations. According to the Equity Transfer Contract signed by the Company and Beijing Wanfeng in 2023, Beijing Wanfeng transferred its 70% equity in Weimiss Shanghai to the Company at a price of RMB5,537,700, and Weimiss Shanghai becomes a wholly-owned subsidiary of the Company upon the completion of this transaction. The related transaction was completed in January 2023.

(2) Acquisition cost and goodwill

| <i>Acquisition cost</i> | <i>Weimiss Shanghai</i> | |
|---|-------------------------|-------------------|
| | <i>Carrying amount</i> | <i>Fair value</i> |
| Cash | 5,537,700 | 5,537,700 |
| Equity interests held before acquisition date | 2,373,285 | 2,373,285 |
| Total acquisition cost | 7,910,985 | 7,910,985 |
| Less: Share of the fair value of the identifiable net assets acquired | 7,910,985 | 7,910,985 |
| Goodwill | - | - |

(3) Identifiable assets and liabilities of the acquiree at the acquisition date

| | <i>Weimeisi Shnghai</i> | |
|---------------------------------|-------------------------|------------------------|
| | <i>Fair value</i> | <i>Carrying amount</i> |
| Assets | | |
| Cash at bank and on hand | 6,194,749 | 6,194,749 |
| Receivables | 1,394 | 1,394 |
| Prepayments | 22,463 | 22,463 |
| Other receivables | 216,388 | 216,388 |
| Inventories | 1,356,577 | 1,356,577 |
| Other current assets | 124,024 | 124,024 |
| Liabilities | | |
| Accounts Received in Advance | 35 | 35 |
| Payroll | 3,000 | 3,000 |
| Other payables | 1,575 | 1,575 |
| Net assets | 7,910,985 | 7,910,985 |
| Less: Non-controlling interests | - | - |
| Net assets acquired | 7,910,985 | 7,910,985 |

2 Disposal of subsidiaries

(1) Transactions or events resulting in loss of control over subsidiaries

| <i>Entity name</i> | <i>Date of losing control</i> | <i>Consideration on the date of losing control</i> | <i>Shareholding being disposed on the date of losing control (%)</i> | <i>Disposal method on the date of losing control</i> | <i>Basis for determining date of losing control</i> | <i>Difference between consideration received and the related share of net assets in consolidated financial statements</i> | <i>Proportion of remaining shareholding on the date of losing control</i> | <i>Investment income or loss/retained earnings transferred from other comprehensive income related to previous equity investments in subsidiaries</i> |
|---|-------------------------------|--|--|--|---|---|---|---|
| Xinjiang Tianzhu Wine Co., Ltd. | 30/06/2023 | 12,090,000 | 60% | Equity transfer | Transfer of controls | 17,003,530 | - | - |
| Langfang Development Zone Castel-Changyu Wine Co., Ltd. | 20/12/2023 | 10,921,494 | 49% | Equity transfer | Transfer of controls | 7,556,400 | - | - |

(2) Other reasons for change of consolidation scope

The Group's subsidiaries - Changyu (Jingyang) Wine Sales Co., Ltd. and Langfang Changyu Pioneer Wine Sales Co., Ltd. were cancelled in 2023.

VIII. 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 |
|---|-----------------------------|--------------------------|---------------------|--------------------|--|-----|---|
| | | | | | | | |
| 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") (a) | 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 |
| 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") (b) | Beijing, China | Beijing, China | Manufacturing | RMB642,750,000 | 91.53 | - | 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 |
|--|-----------------------------|---------------------------|----------------------------|--------------------|--|-----|--|
| | | | | | | | |
| 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 | Planting | 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") | Benxi, Liaoning, China | Benxi, Liaoning, China | Manufacturing | RMB59,687,300 | 100 | - | 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") (c) | Yantai, Shandong, China | Yantai, Shandong, China | Manufacturing | RMB500,000,000 | 100 | - | Acquired through establishment or investment |
| 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 |

| Name of the Subsidiary | Principal place of business | Registered place | Business nature | Registered capital | Shareholding ratio (%) (or similar equity interest) | | Acquisition method |
|--|-----------------------------|--------------------------|------------------------|--------------------|--|-----|--|
| | | | | | | | |
| 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 Roulet Fransac Wine Sales Co., Ltd. ("Yantai Roulet 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 |
| Shanghai Changyu Guoqu Digital Technology Co., Ltd. ("Shanghai Guoqu") | 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") | 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") | Shanghai, China | Shanghai, China | Marketing and sales | RMB10,000,000 | - | 51 | 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 |
|--|-----------------------------|-------------------------|---------------------|--------------------|--|-----|--|
| | | | | | | | |
| Yantai Creighton Catering Company Limited ("Creighton Catering") | Yantai, Shandong, China | Yantai, Shandong, China | Services | RMB1,000,000 | - | 100 | Acquired through establishment or investment |
| Weimeisi Shanghai | Shanghai, China | Shanghai, China | Marketing and sales | RMB10,000,000 | 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 2027.
- (b) AFIP is a limited liability company established by Yantai Dean and Beijing Qinglang. 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 was a joint venture established by the Company and CADF, at December 31, 2023 the Company held 100% of its equity. Through agreement arrangement in Note V. 30, 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. The R&D Centre settled all CADF borrowings early and completed the change of business license on 28 December 2023.

(2) Material non-wholly owned subsidiaries

| Name of the Subsidiary | Proportion of ownership interest held by non-controlling interests | Comprehensive income attributable to non-controlling interests for the year | Dividend declared to non-controlling shareholders during the year | Balance of non-controlling interests at the end of the year |
|------------------------|--|---|---|---|
| AFIP | 8.47% | - | - | 56,409,393 |
| IWCC | 15% | 1,248,415 | 1,151,483 | 57,361,438 |

(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:

| | AFIP | | Chile Indomita Wine Group | |
|--------------------------------------|-------------|-------------|---------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Current assets | 268,602,777 | 251,902,602 | 252,718,459 | 221,192,234 |
| Non-current assets | 384,948,572 | 399,165,555 | 314,112,626 | 320,233,623 |
| Total assets | 653,551,349 | 651,068,157 | 566,831,085 | 541,425,857 |
| Current liabilities | 26,013,757 | 22,424,425 | 167,265,413 | 140,793,252 |
| Non-current liabilities | 3,603,886 | 3,020,582 | 9,598,445 | 11,311,586 |
| Total liabilities | 29,617,643 | 25,445,007 | 176,863,858 | 152,104,838 |
| Operating income | 198,426,991 | 175,992,960 | 232,778,304 | 238,351,323 |
| Net profit/(loss) | 2,636,577 | (3,366,711) | 11,018,541 | 23,561,992 |
| Total comprehensive income | 2,636,577 | (3,366,711) | 8,322,765 | 29,720,066 |
| Cash flows from operating activities | 10,320,219 | 8,265,568 | 22,541,317 | 18,971,851 |

2 Transactions that cause changes in the Group's interests in subsidiaries that do not result in loss of control

(1) Changes in the Group's interests in subsidiaries:

| <i>Fiscal year</i> | <i>Name of Subsidiary</i> | <i>Percentage of minority shareholdings acquired</i> | <i>Purchase date</i> |
|--------------------|---------------------------|--|----------------------|
| 2023 | Golden Ice Wine Vally | 49% | 30/01/2023 |

(2) Impact of transactions on non-controlling interests and equity attributable to the shareholders of the Company:

| | <i>Golden Ice Wine Vally</i> |
|--|------------------------------|
| Acquisition cost consideration | |
| - Cash | 29,246,777 |
| - Non-cash assets | 3,500,000 |
| Total | 32,746,777 |
| Less: Share of net assets in subsidiaries based on the shares acquired | 31,502,609 |
| Difference | 1,244,168 |
| Including: Adjustment to capital reserve | 1,244,168 |

IX. 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 2023, 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 2023, 49.0% of the Group trade receivables are due from top five customers (31 December 2022: 48.8%). 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 | 2023 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 | 378,707,190 | - | - | - | 378,707,190 | 364,981,445 |
| Accounts payable | 473,352,525 | - | - | - | 473,352,525 | 473,352,525 |
| Other payables | 555,634,336 | - | - | - | 555,634,336 | 555,634,336 |
| Long-term payables (including the portion due within one year) | 62,702,857 | 9,455,183 | 61,890,894 | - | 134,048,934 | 125,127,311 |
| Lease liability (including the portion due within one year) | 24,050,888 | 23,215,484 | 21,007,143 | 62,047,723 | 130,321,238 | 105,051,460 |
| Total | 1,494,447,796 | 32,670,667 | 82,898,037 | 62,047,723 | 1,672,064,223 | 1,624,147,077 |

| 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 |

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 | 2023 | | 2022 | |
|--|-------------------------|---------------|-------------------------|---------------|
| | Effective interest rate | Amounts | Effective interest rate | Amounts |
| Financial assets | | | | |
| - Cash at bank | 1.45% - 2.25% | 579,200,000 | 2.00% - 2.25% | 53,200,000 |
| Financial liabilities | | | | |
| - Short-term loans | 6.83% ~ 7.30% | (96,562,141) | 0.65% - 6.76% | (155,774,939) |
| - Long-term loans (including the portion due within one year) | 1.50% - 3.28% | (5,860,499) | 1.50% - 3.65% | (183,331,680) |
| - Long-term payables (including the portion due within one year) | - | - | 1.20% | (64,000,000) |
| - Lease liability (including the portion due within one year) | 4.65% | (105,051,460) | 4.65% | (128,514,033) |
| Total | | 371,725,900 | | (478,420,652) |

Variable rate instruments:

| Item | 2023 | | 2022 | |
|---|-------------------------|---------------|-------------------------|---------------|
| | Effective interest rate | Amounts | Effective interest rate | Amounts |
| Financial assets | | | | |
| - Cash at bank | 0.20% - 1.61% | 1,638,418,696 | 0.25% - 1.61% | 1,598,206,161 |
| Financial liabilities | | | | |
| - Short-term loans | 1Year LPR - 0.95% | (100,000,000) | 1 year LPR 0.5% | (200,000,000) |
| - Short-term loans | 1.81% ~ 2.54% | (23,272,320) | 1.81% - 2.54% | (33,603,542) |
| - Short-term loans | 3.90% ~ 6.95% | (145,146,984) | - | - |
| - Long-term loans (including the portion due within one year) | - | - | BBSY+1.10% | (44,781,100) |
| - Long-term loans (including the portion due within one year) | 2.00% ~ 7.59% | (119,266,812) | 2.85% - 3.35% | (3,011,228) |
| Total | | 1,250,732,580 | | 1,316,810,291 |

(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 2023, 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 RMB 1,453,823 (2022: RMB1,055,235), and net profit by RMB 1,453,823 (2022: RMB1,055,235).

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.

| | 2023 | | 2022 | |
|--------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | <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 | 308,229 | 2,184,232 | 10,922 | 76,068 |
| - EUR | 67 | 523 | 67 | 494 |
| - HKD | 217 | 196 | 208 | 186 |
| Short-term loans | | | | |
| - USD | 13,625,000 | 96,562,141 | 13,750,000 | 95,792,132 |

- (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> | |
|-----|---------------------|--------|---|--------|
| | 2023 | 2022 | 2023 | 2022 |
| USD | 7.0558 | 6.7573 | 7.0871 | 6.9646 |
| EUR | 7.6689 | 7.0985 | 7.8592 | 7.4229 |
| HKD | 0.9011 | 0.8583 | 0.9062 | 0.8933 |

(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 2023 | | |
| USD | 3,539,172 | 3,539,172 |
| EUR | (20) | (20) |
| HKD | (7) | (7) |
| Total | 3,539,145 | 3,539,145 |
| 31 December 2022 | | |
| USD | 3,589,352 | 3,589,352 |
| EUR | (19) | (19) |
| HKD | (7) | (7) |
| Total | 3,589,326 | 3,589,326 |

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.

X. 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 2023 and 31 December 2022.

XI. 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 | 49.9% | 49.9% | Jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited. |

The registered capital of the parent company did not change in 2023, while the parent company's shareholding percentage and proportion of voting rights changed from 50.4% to 49.9%.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VIII.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 Zhibao Pharmaceutical Co., Ltd. ("Zhongya Zhibao") | Information on the Group's directors, supervisors and the senior management |
| WEMISS (Shanghai) Enterprise Development Co., Ltd ("WEMISS Shanghai") | Associate of the Group from January 1 to January 30, 2023 Subsidiaries of the joint venture after January 31, 2023 |
| Shanghai Yufeng Brand Management Co., Ltd. ("Shanghai Yufeng") | Associate of the Group |
| Yantai Guolong Wine Industry Co., Ltd ("Yantai Guolong") | Associate of the Group |
| Societe Civile Agricole Du Chateau De Mirefleurs ("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>2023</i> | <i>2022</i> |
|------------------------|------------------------------|-------------|-------------|
| Shenma Packaging | Product procurement | 83,991,232 | 82,187,388 |
| Zhongya Zhibao | Product procurement | 152,932 | 253,410 |
| Mirefleurs | Product procurement | 7,844,108 | 7,054,664 |
| LIVERSAN | Product procurement | 2,602,967 | 2,870,515 |
| Total | | 94,591,239 | 92,365,977 |

(2) Sales of goods

| <i>Related parties</i> | <i>Nature of transaction</i> | <i>2023</i> | <i>2022</i> |
|------------------------|------------------------------|-------------|-------------|
| Zhongya Zhibao | Sales of goods | 4,306,827 | 5,384,362 |
| Shanghai Yufeng | Sales of goods | 5,691,239 | 2,017,066 |
| Wemiss Shanghai | Sales of goods | - | 614,302 |
| Shenma Packaging | Sales of goods | 121,548 | 110,048 |
| Yantai Guolong | Sales of goods | 9,152,265 | 26,816,648 |
| Total | | 19,271,879 | 34,942,426 |

(3) Purchase of fixed assets

| <i>Related parties of the Company</i> | <i>Nature of transaction</i> | <i>2023</i> | <i>2022</i> |
|---------------------------------------|------------------------------|-------------|-------------|
| Shenma Packaging | Purchase of fixed assets | 1,592,698 | 4,245,929 |
| Total | | 1,592,698 | 4,245,929 |

(4) Leases

(a) As the lessor

| <i>Name of lessee</i> | <i>Type of assets leased</i> | <i>Lease income recognised in 2023</i> | <i>Lease income recognised in 2022</i> |
|-----------------------|------------------------------|--|--|
| Shenma Packaging | Offices and plants | 1,549,410 | 1,549,410 |
| Zhongya Zhibao | Offices and plants | 963,810 | 590,476 |
| Total | | 2,513,220 | 2,139,886 |

(b) As the lessee

| <i>Name of lessor</i> | <i>Type of assets leased</i> | <i>Lease expense recognised in 2023</i> | <i>Lease expense recognised in 2022</i> |
|-----------------------|---------------------------------|---|---|
| Changyu Group | Office buildings | 1,612,118 | 1,425,735 |
| Changyu Group | Offices and plants | 1,394,762 | 1,275,144 |
| Changyu Group | Offices and plants | 4,184,286 | 3,825,433 |
| Changyu Group | Offices and commercial building | 7,057,143 | 6,145,488 |
| Total | | 14,248,309 | 12,671,800 |

(5) Remuneration of key management personnel

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--|-------------|-------------|
| Remuneration of key management personnel | 12,846,007 | 10,265,674 |

(6) Other related party transactions

| <i>Related parties</i> | <i>Nature of transaction</i> | <i>2023</i> | <i>2022</i> |
|------------------------|------------------------------|-------------|-------------|
| Changyu Group | Trademarks | 27,515,798 | 21,877,171 |

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.

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.

The Group incurred a trademark usage fee of RMB27,515,798 this year.

5 Receivables from and payables to related parties

Receivables from related parties

| Item | Related party | 2023 | | 2022 | |
|----------------------|-----------------|------------|--------------------------------------|-------------|--------------------------------------|
| | | Book value | Provision for bad and doubtful debts | Book value | Provision for bad and doubtful debts |
| Accounts receivable | Zhongya Zhibao | 1,476,262 | 2,670 | 2,627,473 | 8,091 |
| Accounts receivable | Shanghai Yufeng | 2,925,045 | 5,290 | - | - |
| Accounts receivable | Yantai Guolong | - | - | 200,000 | 616 |
| Prepayments | Mirefleurs | 6,642,165 | - | - | - |
| Other current assets | Changyu Group | - | - | 120,930,641 | - |

Payables to related parties

| Item | Related party | 2023 | 2022 |
|----------------------|------------------|------------|------------|
| Accounts payable | Shenma Packaging | 27,358,723 | 36,600,233 |
| Accounts payable | Zhongya Zhibao | 2,066 | 5,365,862 |
| Accounts payable | Shanghai Yufeng | - | 143,659 |
| Accounts payable | Changyu Group | - | 19,434,600 |
| Contract liabilities | Zhongya Zhibao | - | 240 |
| Contract liabilities | Yantai Guolong | 14,840,000 | - |
| Other payables | Changyu Group | 27,515,798 | - |
| Other payables | Shenma Packaging | 400,000 | 471,869 |

XII. 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.

XIII. Share-based payments

1 Equity instruments

(1) Share options or other equity instruments outstanding at the end of the year

| Type of grantees | Granted during the year | | Exercised during the year | | Unlocked during the year | | Forfeited during the year | |
|---|-------------------------|-------------|---------------------------|--------|--------------------------|--------|---------------------------|--------|
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Some directors, the senior management, the middle management and core technical (operational) cadre | 6,785,559 | 103,411,919 | - | - | - | - | - | - |
| Total | 6,785,559 | 103,411,919 | - | - | - | - | - | - |

(2) Equity-settled share-based payments

Pursuant to the Proposal on the Company's 2023 Restricted Share Incentive Plan (Draft) and Relevant Summary and the Proposal on the Request for the Authorisation to the Board of Directors by the General Meetings of Shareholders to Handle Matters related to the Company's 2023 Restricted Share Incentive Plan passed by resolutions in the Group's 2022 General Meetings of Shareholders held on 26 May 2023 as well as the Proposal on the Adjustments to Matters related to 2023 Restricted Share Incentive Plan and the Proposal on the Granting of Restricted Shares to Incentive Objects under the 2023 Restricted Share Incentive Plan reviewed and passed in the 2023 first extraordinary Board meeting held on 26 June 2023, the Group determined to grant 6,850,000 restricted shares to 204 incentive objects at a grant price of RMB15.24 per share on 26 June 2023 (the grant date). A total of 203 incentive objects of the Group actually subscribed for 6,785,559 restricted shares at a grant price of RMB15.24 per share. The transaction increased the Company's registered capital by RMB6,785,559, increased the capital reserve by RMB96,626,360.

All restricted shares granted to incentive objects are subject to different restricted sales periods, which are respectively 12 months, 24 months and 36 months from the date of completion of the grant registration of the restricted shares granted to the incentive objects. The restricted shares granted to the incentive objects under the Restricted Share Incentive Plan shall not be transferred, pledged as collateral or to repay debts during the restricted sales periods. All restricted shares granted to incentive objects will be unlocked in three phases after 12 months from the grant date, with the proportion of unlocking in each phase being 30%, 30% and 40%, respectively, corresponding to unlocking dates of one year, two years and three years from the grant date. The actual unlocked shares shall be linked to the performance appraisal for each year.

When the Company's performance meets the corresponding criteria, the unlocking proportion of the above-mentioned restricted shares is determined based on the business performance of the incentive object's operation and the contribution value of the incentive object. The Company will repurchase the locked restricted shares at the granted price of the incentive objects if the unlocked criteria stipulated in this plan are not met, and the incentive object shall not unlock the restricted shares for the current period.

As at 31 December 2023, the total costs of equity-settled share-based payments recognised in the consolidate financial statements for the year were RMB30,735,755, and the accumulated amount of equity-settled share-based payments recognised in the capital reserve for the year amounted to RMB30,735,755.

XIV. Commitments and contingencies

1 Significant commitment

(1) Capital commitments

| <i>Item</i> | 2023 | 2022 |
|---|------------|------------|
| Long-term assets acquisition commitment | 50,057,140 | 45,698,000 |
| Total | 50,057,140 | 45,698,000 |

(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> | 2023 | 2022 |
|---------------------------|--------|------|
| Within 1 year (inclusive) | 50,000 | - |
| Total | 50,000 | - |

2 Contingencies

The Group do not have any significant contingencies as at balance sheet date.

XV. 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 10 April 2024, the Company intends to distribute cash dividend totaling RMB346,124,780 to all shareholders of 692,249,559 capital shares for the year ended 31 December 2023 on the basis of RMB 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.

XVI. 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 2023, over 86% of revenue, more than 96% 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.

XVII. Notes to the Company's financial statements

1 Receivables under financing

| <i>Item</i> | <i>Note</i> | <i>2023</i> | <i>2022</i> |
|------------------|-------------|-------------|-------------|
| Bills receivable | (1) | 36,322,019 | 41,061,417 |
| Total | | 36,322,019 | 41,061,417 |

(1) The pledged bills receivable of the Company at the end of the year

As at 31 December 2023, there was no pledged bills receivable (31 December 2022: 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 | 53,825,102 |
| Total | 53,825,102 |

As at 31 December 2023, derecognised bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB 53,825,102 (31 December 2022: RMB105,149,583). 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.

2 Other receivables

| | <i>Note</i> | <i>31 December 2023</i> | <i>31 December 2022</i> |
|----------------------|-------------|-------------------------|-------------------------|
| Dividends receivable | (1) | - | 250,000,000 |
| Others | (2) | 576,949,997 | 470,176,320 |
| Total | | 576,949,997 | 720,176,320 |

(1) Dividends receivable

| <i>Item</i> | <i>31 December 2023</i> | <i>31 December 2022</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 2023</i> | <i>31 December 2022</i> |
|--|-------------------------|-------------------------|
| Amounts due from subsidiaries | 574,127,885 | 470,128,362 |
| Amounts due from related parties | 2,822,112 | 47,958 |
| Sub-total | 576,949,997 | 470,176,320 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 576,949,997 | 470,176,320 |

(b) The ageing analysis is as follows:

| <i>Ageing</i> | <i>2023</i> | <i>2022</i> |
|---|-------------|-------------|
| Within 1 year (inclusive) | 576,845,525 | 470,071,848 |
| Over 1 year but within 2 years (inclusive) | - | - |
| Over 2 years but within 3 years (inclusive) | - | 104,472 |
| Over 3 years | 104,472 | - |
| Sub-total | 576,949,997 | 470,176,320 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 576,949,997 | 470,176,320 |

The ageing is counted starting from the date.

(c) Movements of provisions for bad and doubtful debts

As at 31 December 2023, no bad and doubtful debt provision was made for other receivables (31 December 2022: Nil).

As at 31 December 2023, the Company has no other receivables written off (31 December 2022: Nil).

(d) Others categorised by nature

| <i>Nature of other receivables</i> | <i>2023</i> | <i>2022</i> |
|--|-------------|-------------|
| Amounts due from subsidiaries | 574,127,885 | 470,128,362 |
| Others | 2,822,112 | 47,958 |
| Sub-total | 576,949,997 | 470,176,320 |
| Less: Provision for bad and doubtful debts | - | - |
| Total | 576,949,997 | 470,176,320 |

(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 | 213,386,151 | Within 1 year | 37.0% | - |
| Kilikanoon Australia | Amounts due from subsidiaries | 53,338,503 | Within 1 year | 9.2% | - |
| R&D Centre | Amounts due from subsidiaries | 32,533,000 | Within 1 year | 5.6% | - |
| Chateau Changyu | Amounts due from subsidiaries | 14,130,944 | Within 1 year | 2.4% | - |
| Chile Indomita Wine Group | Amounts due from subsidiaries | 13,100,592 | Within 1 year | 2.3% | - |
| Total | | 326,489,190 | | 56.5% | - |

3 Long-term equity investments

(1) Long-term equity investments by category:

| <i>Item</i> | <i>2023</i> | | | <i>2022</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> |
| Investments in subsidiaries | 7,690,772,693 | (42,274,055) | 7,648,498,638 | 7,703,535,027 | - | 7,703,535,027 |
| Investments in associates | - | - | - | 2,318,351 | - | 2,318,351 |
| Total | 7,690,772,693 | (42,274,055) | 7,648,498,638 | 7,705,853,378 | - | 7,705,853,378 |

(2) Investments in subsidiaries:

| Subsidiary | Balance at the beginning of the year | Additions during the year | Additions during the year - Equity Incentives | Decrease during the year | Balance at the end of the year | Balance of provision for impairment at the end of the year |
|-----------------------------|--------------------------------------|---------------------------|---|--------------------------|--------------------------------|--|
| Xinjiang Tianzhu | 60,000,000 | - | - | (60,000,000) | - | - |
| Kylin Packaging | 23,176,063 | - | 367,372 | - | 23,543,435 | - |
| Chateau Changyu | 28,968,100 | - | 304,959 | - | 29,273,059 | - |
| Pioneer International | 3,500,000 | - | 2,434,696 | - | 5,934,696 | - |
| Ningxia Growing | 36,573,247 | - | - | - | 36,573,247 | - |
| National Wines | 2,000,000 | - | - | - | 2,000,000 | - |
| Golden Icewine Valley | 30,440,500 | 32,746,777 | 244,217 | - | 63,431,494 | - |
| Chateau Beijing | 588,389,444 | - | 244,217 | - | 588,633,661 | - |
| Sales Company | 7,200,000 | - | 14,059,694 | - | 21,259,694 | - |
| Langfang Sales | 100,000 | - | - | (100,000) | - | - |
| Langfang Castel | 19,835,730 | - | - | (19,835,730) | - | - |
| Wine Sales | 4,500,000 | - | 833,190 | - | 5,333,190 | - |
| 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 | - | 284,014 | - | 453,747,514 | - |
| Chateau Tinlot | 212,039,586 | - | - | - | 212,039,586 | - |
| Chateau Shihezi | 812,019,770 | - | 284,014 | - | 812,303,784 | - |
| Chateau Changan | 803,892,258 | - | 304,959 | - | 804,197,217 | - |
| R&D Centre | 3,288,906,445 | - | 1,324,269 | - | 3,290,230,714 | - |
| Huanren Wine | 22,200,000 | - | - | - | 22,200,000 | - |
| Wine Sales Company | 5,000,000 | - | 102,210 | - | 5,102,210 | - |
| Francs Champs | 236,025,404 | - | - | - | 236,025,404 | - |
| Dicot | 233,142,269 | - | - | - | 233,142,269 | 5,210,925 |
| Chile Indomita Wine Group | 274,248,114 | - | - | - | 274,248,114 | - |
| Australia Kilikanoon Estate | 129,275,639 | - | - | - | 129,275,639 | 37,063,130 |
| Digital Marketing | 1,000,000 | - | 186,121 | - | 1,186,121 | - |
| Chateau Koya | 110,000,000 | - | 328,128 | - | 110,328,128 | - |
| Wemiss Shanghai | - | 7,910,985 | - | - | 7,910,985 | - |
| Culture Development | 92,479,570 | - | 142,004 | - | 92,621,574 | - |
| Development Zone Trading | - | - | 861,192 | - | 861,192 | - |
| Penglai sales | - | - | 1,104,339 | - | 1,104,339 | - |
| Longkou sales | - | - | 1,611,286 | - | 1,611,286 | - |
| Laizhou sales | - | - | 84,916 | - | 84,916 | - |
| Yantai Rouillet Fransac | - | - | 244,217 | - | 244,217 | - |
| Museum | - | - | 265,162 | - | 265,162 | - |
| Window of the Wine City | - | - | 470,134 | - | 470,134 | - |
| AFIP Tourism | - | - | 162,952 | - | 162,952 | - |
| Meeting Center | - | - | 102,210 | - | 102,210 | - |
| Ningxia Trading | - | - | 162,952 | - | 162,952 | - |
| Creighton Catering | - | - | 102,210 | - | 102,210 | - |
| Total | 7,703,535,027 | 40,657,762 | 26,615,634 | (80,035,730) | 7,690,772,693 | 42,274,055 |

For information about the subsidiaries of the Company, refer to Note VIII.

(3) Investments in associates:

| <i>Subsidiary</i> | <i>Balance at the beginning of the year</i> | <i>Investment losses recognized under the equity method</i> | <i>Others (Notes.V.9)</i> | <i>Balance at the end of the year</i> |
|-------------------|---|---|---------------------------|---------------------------------------|
| WEMISS Shanghai | 2,318,351 | 54,934 | (2,373,285) | - |
| Total | 2,318,351 | 54,934 | (2,373,285) | - |

4 Operating income and operating costs

| <i>Item</i> | <i>2023</i> | | <i>2022</i> | |
|--|---------------|-------------|---------------|-------------|
| | <i>Income</i> | <i>Cost</i> | <i>Income</i> | <i>Cost</i> |
| Principal activities | 723,412,525 | 615,998,040 | 672,635,481 | 575,896,372 |
| Other operating activities | 7,746,429 | 5,638,524 | 2,426,940 | 1,420,479 |
| Total | 731,158,954 | 621,636,564 | 675,062,421 | 577,316,851 |
| Including: Revenue from contracts with customers | 723,412,525 | 615,998,040 | 672,635,481 | 575,896,372 |
| Rent income | 7,746,429 | 5,638,524 | 2,426,940 | 1,420,479 |

Disaggregation of revenue from contracts with customers:

| <i>Type of contract</i> | <i>2023</i> | <i>2022</i> |
|---|-------------|-------------|
| By type of goods or services | | |
| - Liquor | 723,412,525 | 672,635,481 |
| By timing of transferring goods or services | | |
| - Revenue recognised at a point in time | 723,412,525 | 672,635,481 |

5 Investment income

| <i>Item</i> | <i>2023</i> | <i>2022</i> |
|--|--------------|-------------|
| Income from long-term equity investments accounted for using cost method | 476,632,356 | 738,407,264 |
| Income / (Loss) from long-term equity investments accounted for using equity method | 54,935 | (48,460) |
| Loss from long-term equity investments accounted for disposal of long-term equity investment | (37,436,762) | (1,842,325) |
| Total | 439,250,529 | 736,516,479 |

6 Transactions with related parties

(1) Product procurement

| <i>Related parties</i> | <i>Nature of transaction</i> | <i>2023</i> | <i>2022</i> |
|--------------------------------------|------------------------------|-------------|-------------|
| Subsidiary of the parent company | Product procurement | 292,073,183 | 154,806,785 |
| Other related parties of the Company | Product procurement | 43,934,847 | 42,578,235 |
| Total | | 336,008,030 | 197,385,020 |

(2) Sales of goods

| <i>Related parties</i> | <i>Nature of transaction</i> | <i>2023</i> | <i>2022</i> |
|--------------------------------------|------------------------------|--------------------|--------------------|
| Subsidiary of the parent company | Sales of goods | 787,731,546 | 504,080,073 |
| Other related parties of the Company | Sales of goods | 3,184,145 | 2,952,493 |
| Total | | 790,915,691 | 507,032,566 |

(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> |
|-----------------------------|-----------------|----------------------------|------------------------------------|-----------------------------------|--------------------------------|
| Australia Kilikanoon Estate | AUD | 17,550,000 | 13 December 2018 | 13 December 2023 | Y |
| Australia Kilikanoon Estate | AUD | 4,800,000 | 1 March 2025 | 29 February 2028 | N |

(4) Leases

(a) As the lessor

| <i>Name of lessee</i> | <i>Type of assets leased</i> | <i>Lease income recognised in 2023</i> | <i>Lease income recognised in 2022</i> |
|--------------------------------------|------------------------------|--|--|
| Other related parties of the Company | Offices and plants | 2,513,220 | 2,139,886 |
| Subsidiary of the parent company | Offices buildings | 85,714 | 85,714 |
| Total | | 2,598,934 | 2,225,600 |

(b) As the lessee

| <i>Name of lessor</i> | <i>Type of assets leased</i> | <i>Lease expense recognised in 2023</i> | <i>Lease expense recognised in 2022</i> |
|--------------------------------------|------------------------------|---|---|
| Other related parties of the Company | Office buildings | 1,394,762 | 1,275,144 |
| Total | Office buildings | 1,394,762 | 1,275,144 |

7 Receivables from and payables to related parties

Receivables from related parties

| <i>Item</i> | <i>Related party</i> | <i>2023</i> | | <i>2022</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 | 727,123 | 1,298 | 2,309,309 | 7,805 |
| Prepayments | Other related parties of the Company | 4,472,159 | - | - | - |
| Other receivables | Subsidiary of the parent company | 574,127,885 | - | 720,128,362 | - |
| Other non-current assets | Subsidiary of the parent company | 1,934,430,000 | - | 1,850,200,000 | - |

Payables to related parties

| <i>Item</i> | <i>Related party</i> | <i>2023</i> | <i>2022</i> |
|------------------|--------------------------------------|-------------|-------------|
| Accounts payable | Other related parties of the Company | 13,895,970 | 35,944,149 |
| Other payables | Subsidiary of the parent company | 441,681,129 | 421,781,524 |
| Other payables | Other related parties of the Company | 400,000 | 471,869 |

XVIII. Extraordinary gains and losses in 2023

| | <i>Item</i> | <i>Amount</i> |
|-----|--|---------------|
| (1) | Profit and loss from disposal of non-current assets | 23,852,237 |
| (2) | Government grants recognised through profit or loss (except for those which are closely related to the company's normal operations, which the company is entitled to under established standards in accordance with government policies and which have a continuing impact on the profits and losses of the company) | 51,523,799 |
| (3) | Other non-operating income and expenses besides items above | 9,137,420 |
| | Sub-total | 84,513,456 |
| (4) | Tax effect | (13,643,745) |
| (5) | Effect on non-controlling interests after taxation | (2,504,497) |
| | Total | 68,365,214 |

Note: Extraordinary gain and loss items (1) to (3) listed above are presented in the amount before taxation.

XIX. 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.50.

(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:

| | 2023 | 2022 |
|--|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 532,438,907 | 428,681,411 |
| Extraordinary gains and losses attributable to ordinary shareholders of the Company | 68,365,214 | 14,850,052 |
| Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders | 464,073,693 | 413,831,359 |
| Weighted average number of ordinary shares outstanding | 685,464,000 | 685,464,000 |
| Basic earnings per share excluding extraordinary gain and loss (RMB/share) | 0.68 | 0.60 |

(3) Diluted earnings per share

For calculation of the diluted earnings per share, please refer to Note V.50.

(4) Diluted earnings per share excluding extraordinary gains and losses

Diluted earnings per share excluding extraordinary gains and losses is calculated by dividing consolidated net profit excluding extraordinary gains and losses attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted):

| | 2023 | 2022 |
|---|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the Company (diluted) | 532,438,907 | 428,681,411 |
| Extraordinary gains and losses attributable to ordinary shareholders of the Company | 68,365,214 | 14,850,052 |
| Consolidated net profit excluding extraordinary gains and losses attributable to the Company's ordinary equity shareholders (diluted) | 464,073,693 | 413,831,359 |
| Weighted average number of ordinary shares outstanding (diluted) | 685,670,893 | 685,464,000 |
| Diluted earnings per share excluding extraordinary gains and losses (RMB/share) | 0.68 | 0.60 |

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:

| | 2023 | 2022 |
|--|----------------|----------------|
| Consolidated net profit attributable to ordinary shareholders of the Company | 532,438,907 | 428,681,411 |
| Weighted average amount of consolidated net assets | 10,684,054,057 | 10,487,764,058 |
| Weighted average return on net assets | 4.98% | 4.09% |

Calculation of weighted average amount of consolidated net assets is as follows:

| | 2023 | 2022 |
|--|----------------|----------------|
| Consolidated net assets at the beginning of the year | 10,579,053,733 | 10,447,884,183 |
| Effect of consolidated net profit attributable to ordinary shareholders of the Company | 270,707,233 | 219,814,175 |
| Effects of Restricted Share Incentive Plan | 15,367,878 | - |
| Acquisition of non-controlling interests | (1,140,487) | - |
| Effect of shares repurchased (Note V.37) | (179,934,300) | (179,934,300) |
| Weighted average amount of consolidated net assets | 10,684,054,057 | 10,487,764,058 |

(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:

| | 2023 | 2022 |
|--|----------------|----------------|
| Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders | 464,073,693 | 413,831,359 |
| Weighted average amount of consolidated net assets | 10,684,054,057 | 10,487,764,058 |
| Weighted average return on net assets excluding extraordinary gain and loss | 4.34% | 3.95% |

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 12, 2024