



Yantai Changyu Pioneer Wine Co. Ltd.

2015 Annual Report

2016 Final 01

April, 2016

I. Important Notice, Contents and Definition

The Board of Directors, the Board of Supervisors, directors, supervisors & senior managers of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report and confirm that to the best of their knowledge and belief there are no unfaithful facts, significant omissions or misleading statements.

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

All directors personally attended the meeting for deliberating the annual report.

1. The Company may face significant risks in production and operation, please refer to “8.expectation for the Company’s future development” sector of “5. Risks likely to occur” part in the chapter four named “Board of Directors’ Report”. We advise investors to read carefully and pay attention to the investment risks. 2. The business plan and target in the report do not represent the earnings forecast of the listed company in 2016, which depends on several factors including the changes of market conditions and the effort extent of managing team etc. with a great uncertainty, so the investors should be in a special attention.

The Company’s preliminary scheme of profit distribution deliberated and passed by the board of the directors is as following: “Based on the Company total 685,464,000 shares on 31 December 2015, we plan to pay CNY 5 in cash as dividends for every 10 shares (including tax) to the Company’s all shareholders, send 0 bonus(including tax) and capital reserve will not be transferred to equity.”

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Definition

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

II. Brief Introduction for the Company and Main Financial Indicators

1. Company's information

Abbreviation of the Shares:	Changyu A、Changyu B	Code number of the Shares	000869、200869
Abbreviation of the Shares after alteration (if have)	-		
Place of listing of the Shares	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 (if have)	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English name (if have)	CHANGYU		
Legal Representative	Mr. Sun Liqiang		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	264000		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code	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 the Securities Affairs
Name	Mr. Qu Weimin	Mr. Li Tingguo
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel	0086-535-6633656	0086-535-6633656
Fax	0086-535-6633639	0086-535-6633639
E-mail	quwm@changyu.com.cn	stock@changyu.com.cn

3. Information disclosure and filing location

The newspapers in which the Company's information is disclosed	"China Securities Newspaper", "Securities Times" and "Hong Kong Commercial Daily"
Web Site assigned by CSRC to carry the annual report	http://www.cninfo.com.cn
Filing location	Board of Directors' Office of the Company,

56 Dama Road, Yantai, Shandong

4. Registration changes

Organization Code	26710003-5
Changes for the main business of the Company since it was listed (if have)	<p>On 18th September 1997 the Company's operating scope was the production, processing and sales of wine, distilled liquor, healthy liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and winemaking machines.</p> <p>On 17th April 2008, after the deliberation of 2007 shareholders' meeting, the Company's operating scope is amended to "the Company, legally registered, is in business of production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and winemaking machines; licensed import and export."</p> <p>On 12th May 2010, after the deliberation of 2009 shareholders' meeting, the Company revised its operating scope to "the Company, legally registered, is in business of production, processing and sales of wine, distilled liquor, medicated liquor, fruit liquor, non-alcohol beverages, fruit jam, packing materials and its products, winemaking machines; licensed import and export; external investments according to governmental policies.</p>
Changes for all previous controlling shareholders (if have)	No.

5. Other documents

The accountant appointed by the Company

Name	Deloitte Hua Yong Certified Public Accountants Co., LTD (special general partnership)
Address	No. 1 East Chang'an Avenue, Dongcheng District, Beijing
Name of signatory accountants	Xu Zhaohui, Li Xu

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

Available Not available

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

Available Not available

6. Key accounting data and financial indicators

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

Yes No

Item	2015	2014	More or less than Last year (%)	2013
Business revenue	4,649,722,368.00	4,156,727,525.00	11.86%	4,320,948,572.00
Net profit attributed to the shareholders of the listed company	1,030,073,860.00	977,707,711.00	5.36%	1,048,185,927.00
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss	993,268,823.00	950,191,379.00	4.53%	1,017,348,285.00
Net cash flows from the operating activities	1,143,046,367.00	1,070,083,296.00	6.82%	735,074,307.00
Basic earnings per share	1.50	1.43	4.90%	1.53
Diluted earnings per share	1.50	1.43	4.90%	1.53
Weighted average for earning rate of the net assets	14.40%	13.96%	0.44%	16.45%
	Dec. 31st 2015	Dec. 31st 2014	More or less than Last year (%)	Dec. 31st 2013
Total assets	10,344,211,461.00	8,912,232,640.00	16.07%	7,997,930,542.00
Net Assets attributed to the shareholders of the listed company	7,564,099,003.00	6,840,452,145.00	10.58%	6,208,279,705.00

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

(1) Differences of net profit and net asset in the financial report disclosed according to both international accounting standards and PRC accounting standards

Available Not available

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

(2) Differences of net profit and net asset in the financial report disclosed according to both foreign accounting standards and PRC accounting standards

Available Not available

There are no differences of net profit and net asset 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
Business revenue	1,825,212,207.00	1,000,581,043.00	860,434,812.00	963,494,306.00
Net profit attributed to the shareholders of the listed company	530,248,397.00	215,811,851.00	136,798,209.00	147,417,173.00
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss	526,745,613.00	212,686,390.00	133,641,945.00	120,396,645.00
Net cash flows from the operating activities	697,396,327.00	229,766,733.00	292,071,264.00	-76,187,957.00

Whether there are 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 irregular profit and loss

Available Not available

Unit: CNY

Item	2015	2014	2013	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	136,061.00	-5,086,545.00	271,989.00	
Tax refund or exemption that is either non-recurring or without proper approval		13,405,520.00		
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	38,952,919.00	27,140,194.00	36,659,754.00	
Reversal of impairment loss for		192,908.00		

receivables which was separately undertaken impairment test				
Other non-operating income and non-operating expenses except the aforementioned items	9,071,448.00	166,987.00	3,302,760.00	
Less. Income tax effect	11,355,391.00	8,302,732.00	9,396,861.00	
Total	36,805,037.00	27,516,332.00	30,837,642.00	--

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

Available Not available

There is no situation that the irregular profit and loss is defined and specified as recurrent profit and loss in accordance with the *Explanatory Announcement on Public Company's Information Disclosure No.1 - Irregular Profit and Loss* during the report period.

III. Summary of the Company's Businesses

1. Main businesses during the report period

During the report period, the Company's main businesses is to produce and operate wine and brandy, thus providing the domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there are no significant changes happened to the Company's main businesses. The wine industry that the Company involve in is still in the growth stage, the whole domestic wine market is on the rising trend. The Company takes the dominant position in the domestic wine market.

2. Significant changes of main assets

(1) Significant changes of main assets

Main assets	Explanation of significant changes
Equity asset	No significant changes
Fixed asset	A year-on-year growth of 21.98% owing that parts of construction projects have completed construction and put into production and hence related investment is turned from construction in process to fixed asset
Intangible asset	No significant changes
Construction in process	An increase of 17.97% owing to the increased investment in construction in process, such as Changyu International Wine City and so on

(2) Main overseas assets condition

Available Not available

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	The proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Equity asset	Acquisition of equity	435,177,537	Spain	Wine production and operation		807,079	5.84%	No

3. Analysis of core competitiveness

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

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

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

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

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

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

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

IV. Management Discussion and Analysis

1. Summarization

In 2015, influenced by the slowdown of domestic economic growth, the overall domestic wine industry is relatively stable, the effective demands for top-level products is weakness, the medium-and-low-level products suitable for mass consumption maintains a favorable growth tendency. Because of the overwhelming flow of foreign wine into Chinese market, the market competition is further intensified, which has brought bigger challenges for the Company to achieve sustained and steady growth. Facing quite a lot of external disadvantages, the Company insists to focus on the market, adjust the marketing tactics and product structure, strive to develop medium and low level products, optimize the market layout, perfect the marketing channels and effort to promote product sales, achieving good results and realizing business income of CNY 4649.72 million, an increase of 11.86% compared with last year; but due to the impact of decreasing the proportion of the sales in the products with high gross profit margin and increasing the proportion of the sales in the products with the low profit margin, the Company realized net profit of CNY 1030.07 million belonging to the parent company's shareholders, an increase of 5.36% compared with last year.

2. Analysis of main business

(1) Summarization

Description	Increase or decrease of the end of the period over the end of last year	Cause of significant changes
Operating revenue	11.86%	Mainly because of increased sales volume
Operating cost	10.21%	Mainly because of the increase of sales volume, especially the proportion of sales in medium-low price products increased
Sales expense	20.39%	Mainly because of reduction of advertising expense in 2015
Management expense	22.18%	Mainly because of increase of wage & welfare, depreciation and Property tax in 2015 over the last year before
R&D investment	10.18%	Mainly because of increase of expenses for the development of technology research in 2015
Financial expense	165.41%	Mainly because of reduction of interest income due to decrease of time deposit balance, and the increase of loan interest expenditure.
Net amount of cash flow generated in operating activities	6.82%	Mainly because of increased sale volume that makes cash inflow of business activities increased

Net amount of cash flow generated in investment activities	4.57%	Mainly because of decline of cash expenditure for the investment projects
Net amount of cash flow generated in capital-raising activities	-1.57%	Mainly because of decline of other received cash related with financing activities

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, influenced by the decelerated growth on the demand for domestic wine and intensified market competition, the Company has realized the business income of CNY 4.65 billion, increased by 11.86 % compared with the last year, exceeding the target fixed in the beginning of the year of realizing business income no less than CNY 4.4 billion. In order to deal with the unfavorable business environment, the Company carried out the operation strategy of steady development in the medium and high-end wines, and vigorous expansion for the low-level wines, brandy and imported wines with own brands. While making efforts to promote the development of medium and high-end wines, the Company made an appropriate tilt on marketing resources to the medium and low level wines, brandy and imported wines with own brands for meeting the market demand, which played an important part in realizing the increase on the business income. The main work in the report period is as following:

Firstly, the Company further strengthened the construction of marketing system, optimized product structure, increased the marketing promotion efforts and enhanced the marketing capability. The Company further improved the multi-channel and multi-company marketing framework, making the sales system more smoothly from the top down; By increasing the investment in the wine market, strengthening the inspection of terminal work, and strongly pushing the increase in sales of medium-and-low level wines and the promotion of brandy, the Company accelerated the sales of terminal and acquired greater improvement in marketing capability.

Secondly, the production management was strengthened and the production cost was reduced constantly. The control of major production costs was strengthened and the management methods of both equipment repairing fee and fuel-power fee were improved. The Company strengthened the management of quota funds, perfected the examination and evaluation system to occupied funds, and realized dynamic management and paid use to fund occupation of each unit within the company. The procurement cost of raw materials was further reduced by increasing the centralized procurement. Based on above measures, cost per ton of comparable products reduced CNY 181 over the same period of previous year.

Thirdly, the research for new products and new technologies was continued being conducted and the quality management was strengthened in order to improve technological level and product quality. In 2015, the Company implemented 14 key technologies and conducted 57 technological development projects; focused on 'Quality Day' in every month to further intensify the examination and supervision of quality system construction; further deepened

the quality control of package materials, standardized the legality of package materials in combination with newly-implemented ‘Food Safety Law’ and ‘Advertisement Law’. Based on above measures, the inner quality of the company’s products got a stable improvement. Koyac XO Porcelain Barrel Brandy won Gold medal in Conours Mondial de Bruxelles 2015-Spirits Selection and the Icewine won Gold medal in ‘Quality Wine-Producing Areas of International Leaders Contest’.

Fourthly, the procurement of raw materials such as grapes was completed successfully and the management of grape base was further strengthened. The Company completed the whole year work of grapes procurement and processing according to the plan, which provides a reliable guarantee of raw material for adapting the development of market; strengthened the budget management of various expense in self-supporting bases, took comprehensive professional training for farmers and strengthened the classified management and classified evaluation of contractual bases; imported 102 mechanized equipment, further improving the machinery utilization rate of Yantai self-supporting bases and each chateau base. By taking above mentioned measures, the Company’s grape base management has become more standardized and the quality of grape has been much improved.

Fifthly, the construction of technological upgrading projects is steadily promoted to strengthen momentum for future development. During the report period, the Company has overcome the various problems and difficulties, steadily carry forward the construction of 9 investment projects which were defined at the beginning of the year, the key investment projects run smoothly with good engineering quality.

(2) Revenue and cost

① Composition of operating incomes

Unit: CNY

	2015		2014		Year-on-year increase or decrease (%)
	Amount	Proportion in operating incomes	Amount	Proportion in operating incomes	
Total operation revenue	4,649,722,368.00	100%	4,156,727,525.00	100%	11.86%
Industry-classified					
Industry of liquor and alcoholic beverage	4,649,722,368.00	100.00%	4,156,727,525.00	100.00%	11.86%
Product-classified					
Wine	3,659,597,234.00	78.71%	3,201,368,831.00	77.02%	14.31%
Brandy	883,276,247.00	19.00%	813,417,868.00	19.57%	8.59%
Others	106,848,887.00	2.30%	141,940,826.00	3.41%	-24.72%

Area-classified					
Domestic	4,481,598,915.00	96.38%	4,072,037,577.00	97.96%	10.06%
Abroad	168,123,453.00	3.62%	84,689,948.00	2.04%	98.52%

② The condition of sectors, products or areas accounting for over 10% in the Company's operating incomes or operating profits

Available Not available

Unit: CNY

	Operating income	Operating cost	Gross profit rate	Year-on-year increase or decrease (%) of operating income	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	4,649,722,368.00	1,512,503,035.00	67.47%	11.86%	10.21%	0.49%
Product-classified						
Wine	3,659,597,234.00	1,145,785,230.00	68.69%	14.31%	13.35%	0.27%
Brandy	883,276,247.00	307,213,390.00	65.22%	8.59%	10.72%	-0.67%
Area-classified						
Domestic	4,481,598,915.00	1,456,071,487.00	67.51%	10.06%	8.45%	0.48%

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

Yes No

Sector	Project	Unit	2015	2014	Year-on-year increase or decrease (%)
Wine	Sales volume	Ton	86,318	71,854	20.13%
Brandy	Sales volume	Ton	40,074	37,462	6.97%

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

Available Not available

④ The fulfillment of major sales contract signed by the Company up to the report period

Available Not available

⑤ Composition of operating costs

Unit: CNY

Sector	Project	2015		2014		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverage	Blending liquor	813,179,854.00	54.76%	749,104,077.00	55.29%	-0.53%
	Packing material	515,456,922.00	34.71%	446,560,533.00	32.96%	1.75%
	Wages	55,456,767.00	3.73%	53,632,561.00	3.96%	-0.22%
	Production cost	100,900,541.00	6.79%	105,480,406.00	7.79%	-0.99%

Explanation

No

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

Yes No

For consolidation scope of the year, please refer to Notes VIII "Equity in other entities" in detail. For detail of changes in consolidation scope of the year, please refer to Notes VII "Change in consolidation scope".

⑦ Major changes or adjustments of the Company's products or services during the report period

Available Not available

⑧ Information of major customers and major suppliers

The Company's important customers

The total sales amount of the top five customers (CNY)	162,300,452.00
Total sales of the top five customers accounting for the proportion in total sales for the year (%)	3.49%

Information on the Company's 5 biggest customers

No.	Customer Name	Sales Amount (CNY)	Proportion in Total Sales for the year (%)
1	ChangyueXin Trade Company in Shenzhen city	35,452,036.00	0.76%
2	Baicheng Trade Distribution Center in Hanjiang district of Putian city (New Baicheng Food Trade Company in Hanjiang district of Putian city, Zhongheng Food Trade Company in Chengxiang district of Putian city, Baicheng Commerce and Trade Company Limited in Putian city)	33,579,353.00	0.72%
3	Dali Qianxingrong Wine Shop in Nanhai district of Foshan city (Xiqiaolizhi Shop in Nanhai district of Foshan city)	32,892,494.00	0.71%
4	Wal-Mart (China) Investment Company Limited	31,879,636.00	0.69%
5	Huhaipengcheng Liquor Industry Company Limited in Zhuhai city	28,496,932.00	0.61%
Total	—	162,300,452.00	3.49%

Other situation explanation of main customers

Available Not available

Information on the Company's important suppliers

The total purchase amount of the top 5 suppliers	57,512,952.00
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	3.56%

Information on the Company's top 5 biggest suppliers

No.	Supplier Name	Purchase Amount (CNY)	Proportion in Total Purchase for the year (%)
1	Yantai Shenma Packaging Co., Ltd.	153,891,013.00	9.52%
2	Yantai Changyu Glass Co.,Ltd.	136,649,691.00	8.46%
3	Liquan Sales Department of Shandong Yantai Winery Co.,Ltd.	102,003,625.00	6.31%
4	152 regiment of the eighth agriculture production division	79,434,236.00	4.92%
5	Yantai Wanfutai Winery Co., Ltd	57,512,952.00	3.56%
Total		529,491,518.00	32.77%

Other situation explanation of main customers

 Available Not available
(3) Costs

Unit: CNY

	2015	2014	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	1,211,127,163.00	1,006,009,364.00	20.39%	Mainly because of increased advertising expense in 2015
Management expense	313,968,409.00	256,980,018.00	22.18%	Mainly because of increased wage, welfare expense, depreciation and building tax
Financial expense	11,287,685.00	-17,256,721.00	165.41%	Mainly because of decreased interest income resulting from

				the decline of fixed deposit balance and increased loan interest expenditure
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(4) Research and development expenditure

Available Not available

(5) Cash flow

Unit: CNY

Item	2015	2014	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	5,045,321,545.00	4,830,092,384.00	4.46%
Subtotal of cash outflow in operating activities	3,902,275,178.00	3,760,009,088.00	3.78%
Net amount of cash flow generated in operating activities	1,143,046,367.00	1,070,083,296.00	6.82%
Subtotal of cash inflow in investment activities	70,956,457.00	333,107,299.00	-78.70%
Subtotal of cash outflow in investment activities	1,008,811,136.00	1,315,841,068.00	-23.33%
Net amount of cash flow generated in investment activities	-937,854,679.00	-982,733,769.00	-4.57%
Subtotal of cash inflow in capital-raising activities	604,498,188.00	644,550,372.00	-6.21%
Subtotal of cash outflow in capital-raising activities	679,633,059.00	720,926,810.00	-5.73%
Net amount of cash flow generated in capital-raising activities	-75,134,871.00	-76,376,438.00	-1.63%
Net increase of cash and cash equivalents	134,207,390.00	3,913,342.00	3,329.48%

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

Available Not available

During the report period, comparing with the same period of last year, subtotal of cash inflow in investment activities was reduced by 78.7%, mainly due to the significant decrease in the fixed deposit whose duration is more than 3 months; subtotal of cash outflow in investment activities was reduced by 23.33%, mainly due to the significant decrease in cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets; net increased amount of cash and cash equivalents increased by 3329.48%, mainly due to the significant growth of net amount of cash flow generated both in operating activities and in investment activities.

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

Available Not available

3. Analysis to non-main business

Available Not available

4. Assets and liabilities situation

(1) Major changes of assets

Unit: CNY

	At the end of 2015		At the end of 2014		Proportion increase or decrease (%)	Explanation on major changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,285,362,414.00	12.43%	1,145,365,071.00	12.85%	-0.42%	No major changes
Receivables	197,795,091.00	1.91%	145,672,411.00	1.63%	0.28%	No major changes

Inventory	2,260,852,964.00	21.86%	2,087,376,398.00	23.42%	-1.56%	No major changes
Investment real estate		0.00%		0.00%	0.00%	No major changes
Long-term equity investments		0.00%		0.00%	0.00%	No major changes
Fixed assets	3,089,245,185.00	29.86%	2,532,682,355.00	28.42%	1.44%	No major changes
Construction in progress	2,005,990,308.00	19.39%	1,700,466,500.00	19.08%	0.31%	No major changes
Short-term borrowings	665,581,921.00	6.43%	300,000,000.00	3.37%	3.06%	No major changes
Long-term borrowings	71,686,629.00	0.69%	209,380,000.00	2.35%	-1.66%	No major changes

(2) Measuring assets and Liabilities at Fair Value

Available Not available

5. Investment situation

(1) Overall situation

Available Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
842,060,000.00	562,596,634.00	49.67%

(2) Situation of acquired main equity investments during the report period

Available Not available

Unit: CNY

Invested company name	Main business	Investment mode	Investment amount	Shareholding rate	Capital source	Partner	Investment period	Product type	Progress up to the balance sheet date	Estimated profit	Profit and loss of investment during this period	Whether involved in lawsuits	Disclosure date if have	Disclosure index (if have)
Discot Partners, S.L	Production and operation of wine and other alcoholic products	Acquisition	18625.00	75%	Self-owned capital	Comercial Gatar, S.L. and estion Ganuza, S.L.	50 years	wine	completed	5,800,000.00	807,079.00	no	2015.08.28	http://www.cninfo.com.cn/finalpage/2015-08-28/1201509186.PDF
Société Civile	Production of	Acquisition	2363.00	90%	Self-owned capital	Vignobles et	50 years	wine	completed	1,400,000.00	0.00	no	2015.11.25	http://www.cninfo.com.cn/finalpage/2015-11-25/1201786784.PDF

Agricole du Château de Mirefleurs	top-level Bordeaux wine					Domaines Castel								F
Total			20,988.00							7,200,000.00	807,079.00			

(3) Situation of main ongoing non-equity investments during the report period

Available Not available

Unit: CNY

Project name	Investment mode	Whether it belongs to fixed assets investment	Involved sectors	Investment Amount during this report period	Accumulated actual investment amount up to the end of the report period	Capital source	Process of project	Estimated profit	Accumulated realized profit up to the end of the report period	Reasons for unreached planning schedule and estimated profit	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	265,000,000.00	673,630,000.00	Owned funds	75.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766.PDF
Yantai Changyu	Self-constructed	Yes	Liquor and alcoholic	190,000,000.00	481,690,000.00	Owned funds	85.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage

International Wine City Bottling Center			beverage sector									ge/2015-04-28/1200918766. PDF
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	86,000,000.00	199,440,000.00	Owned funds	95.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Changyu Vine and Wine Research Institute	Self-constructed	Yes	Liquor and alcoholic beverage sector	49,940,000.00	90,760,000.00	Owned funds	40.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Treasure Wine Chateau	Self-constructed	Yes	Liquor and alcoholic beverage sector	17,210,000.00	47,990,000.00	Owned funds	40.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Koyac Brandy Chateau	Self-constructed	Yes	Liquor and alcoholic beverage sector	0.00	98,000,000.00	Owned funds	40.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Changyu International Wine City Grape Base	Self-constructed	Yes	Liquor and alcoholic beverage sector	4,290,000.00	43,700,000.00	Owned funds	80.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Greening Investment	Self-constructed	Yes	Liquor and alcoholic	1,740,000.00	38,640,000.00	Owned funds	70.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF

			beverage sector									ge/2015-04-28/1200918766. PDF
Pioneer Monopoly Shop	Self-constructed	Yes	Liquor and alcoholic beverage sector	18,000,000.00	35,550,000.00	Owned funds	60.00%	0.00	0.00	—	2015.04.28	http://www.cninfo.com.cn/finalpage/2015-04-28/1200918766. PDF
Total	--	--	--	632,180,000.00	1,709,400,000.00	--	--	0.00	0.00	--	--	--

(4) Financial assets investment

① Security investment situation

Available Not available

There is no security investment for the Company during the report period.

② Derivatives investment

Available Not available

There is no entrust financing for the Company during the report period.

(5) The usage situation of the raised capital

Available Not available

There is no usage situation of the raised capital for the Company during the report period.

(6) Sale of major assets and equities

① Sale of major assets

Available Not available

There is no sale of major assets during the report period.

② Sale of major equities

Available Not available

(7) Analysis to the major 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 asset	Net asset	Operation revenue	Operation profit	Net Profit
Yantai Changyu -Castle	Subsidiary	To research, produce	USD 5 million	274,795,419.00	82,896,983.00	98,894,499.00		7,573,641.00

Wine Chateau Co. LTD.		and sell wine and sparkling wine as well as the tourism service						
Langfang Castel- Changyu Wine Co. LTD.	Joint stock compan y	To produce and sell wine	USD 6,108,81 8	53,339, 634.00	45,425, 677.00	51,602,8 97.00		862,10 3.00
Chateau Changyu AFIP Global	Subsidia ry	To research, produce and sell brandy and wine	CNY 110 million	739,79 5,780.0 0	149,28 3,921.0 0	170,037, 611.00		25,424, 015.00
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidia ry	To produce ice wine	CNY 26.30 million	72,547, 094.00	59,823, 627.00	51,657,5 43.00		-4,223, 249.00
Xinjiang Tianzhu Winery Co., Ltd.	Subsidia ry	To plant grape, produce and sell grape juice, bulk wine and fruit wine	CNY 75 million	182,72 8,427.0 0	161,83 8,245.0 0	107,683, 230.00		-37,548 .00

Acquisition and disposal of subsidiaries during the report period

 Available Not available

Company name	Acquisition and disposal Mode of subsidiaries during the report period	Influence to overall production and Operation as well as performance
Dicot Partners, S.L.	Equity Acquisition	Beneficial for enriching the Company's product structure and improving profitability
Société Civile Agricole du Château de Mirefleurs	Equity Acquisition	Beneficial for enriching the Company's product structure and improving profitability

Information of main holding and joint stock companies

No

(8) Main part situation of the special purpose being controlled by the Company

Available Not available

(9) Expectation for the Company's future development

On the basis of our limited experience and special skills, we make the following estimation of the wine sector and the Company's future development:

(1) The sector competition setup and development trend

Due to the continuous limitation for the domestic consumption of premium wine in the future long time, the continuing entrance of imported wines to Chinese market, and the great impact for the traditional sales channels caused by the new channels such as E-commerce, the competition in the domestic wine industry will still be awfully fierce in the current and future long time, the consumption for high-end wine maybe continue to remain weak. But in the long run, thanks to increase of their incomes, people's pursuits to health and fashion life, the people are favoring wines which fit well with the trend of consumption, it will ceaselessly stimulate their demand for quality wine. That's to say, the Chinese wine sector still has huge potential to tap. Especially the medium-low level wine with high performance-to-price ratio can have a faster growth. In such a case of long-term coexistence of opportunities and challenges, only those enterprises that possess strong branding influence and marketing ability, catch the opportunities, actively take adjustments and make full use of oncoming and traditional sales channels, can timely get the run of the consumers' demands and provide products of high performance-to-price ratio will have an opportunity to be the final winners of competition and form a new structure of the future Chinese wine market.

(2) The Company's development strategy

The Company will continue to adhere to the strategy of taking wine as pillar product while developing all kinds of products, actively expand the scope of consumption and marketing mode, revise the sales decreased trend of high-end wine; develop middle-level wines and brandy, strengthen the promotion of sparkling wine, make efforts to provide consumers with a rich variety of products in high cost performance.

(3) Management plan in a new year

In 2016, the Company will try its best to realize business income of not less than CNY4.6 billion and control the main operating costs and three period charges below CNY3.0 billion.

(4) The measures the Company will take

The Company will emphasize the following aspects in 2016, so as to better catch the opportunities and face the challenges:

Firstly, it is to stick to market-orientation and promote the integrated development of various kinds of wine. The Company will continue adhering to wine-based development strategy firmly, improve the construction of sales system for chateau wines, as well as the incentive measures to dealers and the company's staff, so as to promote the sales volume of chateau wines. The governance of market order will be enhanced to consolidate the brand advantages of middle-end wines (represented as Jiebaina). The market promotion of low-end wines will be strengthened to increase the market shares. The appearance of sparkling wine with low alcohol and Tinlot Reserva

products on the market will be completed and the appearance of wines in small package on the market will be quickened. The company will strengthen the construction of Brandy sales system and improve its market promotion. The Koyac Brandy products will be improved and their sales system will be built. In the meantime that the company pay attention to domestic brands, the sales of imported products by the company acting as agency in China, especially products whose brands are acquired by the company, will be boosted to satisfy the demands of customers.

Secondly, it is to strengthen the control for major production costs and expenses, further compressing production cost and reducing expenses. The Company will further reinforce financial management and audit supervision, improve management methods of major expenses in production system, improve centralized procurement rules, improve profit accounting system in subordinate production and operation units, make a good fund plan, enhance fund occupation management and make efforts to reduce production costs and expenses; establish and improve the financial management and auditing system of industrial park, grape bases and overseas investment companies; improve and perfect financial early warning analysis system to prevent operating risks; optimize products' pricing mechanism and strive to improve products' gross profit margin.

Thirdly, it is to strengthen the management for vineyards, continually increase the products quality. The Company will carry out the normalization construction and management for the vineyards in accordance with the criterion of scalization, standardization and mechanization, continue to practice the tracking and management of winemakers for the vineyards. For self-supporting bases, the company will enhance the corresponding simulation profit evaluation, build the informatization management system in self-supporting bases, and improve the management level of bases. Besides, the company will fully push the mechanization planting pattern to further reduce the planting cost. For contractual bases, in order to improve the management level of bases, the classified management of grape bases will be continued being implemented and the advanced planting technical training for contracted farmers will also be continued being enhanced. In addition, the company will strengthen the legal education of quality and safety to improve farmers' consciousness of food safety. The layout of raw material bases will be implemented worldwide to form the pattern that the quality and quantity of raw materials in domestic bases could be complementary with that in foreign bases. The Company will perfect the classification standards for bulk wine, the quality tracking of bulk wine whole usage process and assessment mechanization, optimize winemaking technology, reinforce the applied research on oak barrels, further improve production quality, strengthen to develop new products, constantly enrich products variety. Further distinguish and clear the products characteristic of general wine in different varieties, form the products line with distinctive and unique style.

Fourthly, it is to steadily carry forwards investment projects construction, scientific arrange the progress of construction, guarantee the engineering quality. The Company will continuously promote the projects of Yantai Changyu International Wine City (namely Yantai Changyu Industrial Park) and the construction for pioneer monopoly shops, reinforce the management of construction budget to investment projects, strengthen projects' cost review and completion audit, strictly control the investment amount on projects, make sure to finish the construction for all projects and put them into operation on the basis of scheduled progress and quality.

(5) Potential risks

A) Risks 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.

B) Risks 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.

C) Risks 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.

D) Risks in investment faults

According to the plan, currently the Company has finished the production layout at home, and the next step is to pay more attention to the overseas merge and acquisition in the same industry. Currently, Yantai Changyu International Wine City (namely Yantai Changyu Industrial Park) has those features such as the big investment amount, long-term construction period and many uncertain factors; more unforeseeable factors for the overseas merge and acquisition projects in the progress of M&A, it is difficult to make sure the fair and reasonable transaction price, the integration and management after M&A is also hard. Under the influence of uncertain factors for individual projects, It leads 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.

10. The Company's receptions, studies, communications and visits

Available Not available

Reception Time	Reception method	Reception object type	Basic information index of studies
2015.05.22	Field survey	Institution	-
2015.05.22	Field survey	Individual	-

Number of Reception	
Number of received institution	
Number of received individual	
Number of other object	
Whether disclose, reveal or betray no-public import information	No

V. Major issues

1. The Company's common stock profit distribution and increasing equity with capital reserve

Promulgation, implementation or adjustment of common stock profit distribution policies especially cash dividends policies during the report period

Available Not available

According to the auditing result made by The Deloitte HuaYong certified public accountants co., LTD, the net profit that the Company made in 2014 was CNY977.707711million. After deducting the minority shareholders' profit and loss, the net profit belong to the Company's shareholders is CNY977.707711 million. After the deliberation of the Company's Board of Directors and the Shareholders' Meeting, the profit plan of 2014 is as following: Because the left amount of legal earned surplus reserve is less than 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company's 685,464,000 shares at total up to December 31, 2014, we plan to pay CNY4.4 in cash as dividends for every ten shares (including tax) to the Company's all shareholders, totaling up to CNY301.60416 million, accounting for 30.85% of the net profit CNY 977.707711 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 676.103551 million will be reserved for the distribution of next year. This plan is in line with the provisions of the Company's Articles of Association. On July 5, 2015, the Company published the Implementation Announcement of 2014 Annual Equity Distribution on China Securities Journal, Securities Times and www.cninfo.com.cn, determining that the share registration day of A Stock was on July 10, 2015 and the ex-dividend day was on July 13, 2015, the last trading day of B Stock was on July 10, 2015, the share registration day was on July 15, 2015 and the ex-dividend day was on July 13, 2015. The Company also distributed equity before July 30, 2015 to the Company's all A Stock holders registered after closing of Shenzhen Stock Exchange on the afternoon of July 10, 2015 at China Securities Depository and Clearing Corporation Limited Shenzhen Company and the Company's all B Stock holders registered after closing of Shenzhen Stock Exchange on the afternoon of July 15, 2015 at China Securities Depository and Clearing Corporation Limited Shenzhen Company.

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

and amending the cash dividends distribution policy.	
------------------------------------------------------	--

The Company's plan (preliminary scheme) of common stock profit distribution and increasing equity with capital reserve in the recent three years (including the report period).

The Company's profit distribution plan in 2013 is as following: Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company's 685,464,000 shares at total up to December 31, 2013, we plan to pay CNY 5 in cash as dividends for every ten shares (including tax) to the Company's all stockholders, totaling up to CNY 342.732 million, accounting for 32.70% of the net profit CNY 1048.185927 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 705.453927 million will be reserved for the distribution of next year.

The Company's profit distribution in 2014 is 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 be not drawn. Based on the Company's 685.464 million shares at total up to December 31, 2014, we plan to pay CNY 4.4 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY 301.60416 million accounted for 30.85% of net profits CNY977.707711 million attributable to shareholders of parent company in the consolidated statements. The retained and undistributed profit of CNY 676.103551 million will be reserved for distribution in the next year.

The Company's preliminary scheme of profit distribution plan in 2015 is as following: Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company's 685,464,000 shares at total up to December 31, 2015, we plan to pay CNY 5 in cash as dividends for every ten shares (including tax) to the Company's all stockholders, totaling up to CNY 342.732 million, accounting for 33.27% of the net profit CNY 1030.07386 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 687.34186 million will be reserved for the distribution of next year.

The Company's common stock cash dividend record in recent three years (including the report period)

Unit: CNY

Year of distribution	Amount of cash dividend (including tax)	Net profit belonging to the listed company's stockholders in the consolidated	Proportion in the net profit belonging to the listed company's stockholders in the	Amount of cash dividends in other ways	Proportion of cash dividends in other ways

		statement of the distribution year	consolidated statement (%)		
2015	342,732,000.00	1,030,073,860.00	33.27%	0.00	0.00%
2014	301,604,160.00	977,707,711.00	30.85%	0.00	0.00%
2013	342,732,000.00	1,048,185,927.00	32.70%	0.00	0.00%

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

Available Not available

2. The Company's preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve

Available Not available

Number of sending bonus shares per ten shares (share)	0	
Number of dividend payout per ten shares (CNY) (including tax)	5	
Number of transferring per ten shares(share)	0	
The cardinal number of the capital stocks for the preliminary distribution scheme (shares)	685,464,000	
Total cash dividend distribution (CNY) (including tax)	342,732,000.00	
Distributable profit (CNY)	1,030,073,860.00	
The proportion of cash dividend distribution in the total profit distribution	100.00%	
Cash dividend		
If the Company's development is in growth stage, 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 Deloitte Hua Yong, the net profit belonging to the parent company's stockholders in the consolidated statement is CNY1030.07386million, the net profit of the parent company in financial statement is CNY1553.520098 million in 2015. According to PRC accounting standard, the situation for the attributable profit of consolidation and parent company in 2015 is as following:		
Unit: CNY		
	Consolidation	Parent company
Undistributable profit at the end the year	5,980,390,074	5,872,392,075
Including: net profit in 2015	1,030,073,860	1,553,520,098
Distributable profit carried over to the beginning of the year	5,251,920,374	4,620,476,137

Distribution for 2014 dividend	301,604,160	301,604,160
Withdrawing for the legal earned surplus reserve	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 next three years is not less than 30% of the yearly average distributable profit to be realized in the next three years, meanwhile, considering the large amount on the capital expenditure in 2016, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2015 as following:

Because the left amount of legal earned surplus reserve reaches 50% of the registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Then based on the Company's 685,464,000 shares at total up to December 31, 2015, we plan to pay CNY 5 in cash as dividends for every ten shares (including tax) to the Company's all stockholders, totaling up to CNY 342.732 million, accounting for 33.27% of the net profit CNY 1030.07386 million attributable to the shareholders of the parent company in the consolidated statement, the retained and undistributed profit of CNY 687.34186 million will be reserved for the distribution of next year. The cash dividend for the shareholders of B share listed overseas was paid in Hongkong dollar according to the middle rate between CNY and Hongkong dollar issued by the People's Bank of China on the first working day after the resolution date of 2015 shareholders' meeting.

3. Implementation of commitments

(1) Commitments that the Company, shareholders, actual controllers, acquirers, directors, supervisors, senior managers and other related 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 share reform	—		—		—	—
Commitments made in acquisition report or equity changes report	—		—		—	—
Commitments at asset restructuring	—		—		—	—
Commitments at	Yantai	Solve horizontal	Non-horizontal	18 th May 1997	Forever	Has been

the initial public offering or refinancing	Changyu Group Co. Ltd.	competition	competition			performing strictly
	Yantai Changyu Group Co. Ltd.	Clear the purpose of brand royalty	According to <i>Trademark License Contract</i> , the Company will pay trademark royalty for the “Changyu” products of Yantai Changyu Group Co., Ltd every year, Yantai Changyu Group Co., Ltd will use trademark royalty to advertise “Changyu” trademarks and Contracted products in this contract.	18 th May 1997	Forever	Has been performing strictly
Equity incentive commitments	—	—	—		—	—
Commitments at middle and small shareholders of the Company	—	—	—		—	—
Commitment under timely implementation or not	Yes					
Whether or not to have specific reasons of the unimplemented commitment and next steps(if	No					

any)

(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

4. Non-business capital occupying of listed company by controlling shareholder and its related parties

Available Not available

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

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 previous year's financial report, explanation for the changes of accounting policy, accounting estimation and accounting method

Available Not available

There are no changes of accounting policy, accounting estimation and accounting method during the report period.

7. During the report period, the situation explanation for the correction of major accounting errors which need to be retrospect and restated.

Available Not available

There is no situation for the correction of major accounting errors which need to be retrospect and restated.

8. Compared with the previous year's financial report, explanation for the changes of the consolidated statements scope.

Available Not available

For consolidation scope of the year, please refer to Notes VIII "Equity in other entities" in detail. For detail of changes in consolidation scope of the year, please refer to Notes VII "Change in consolidation scope".

9. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	Deloitte Hua Yong Certified Public Accountants Co., Ltd. (special general partnership)
Reward for domestic accounting firm (CNY'0000)	195
Consecutive period for the audit services of domestic accounting Firm	3
Name of Certified public accountant for the audit services of domestic accounting Firm	Xu Zhaohui, Li Xu
Overseas accounting firm name (if have)	—
Reward for overseas accounting firm (CNY'0000) (if have)	0
Consecutive period for the audit services of overseas accounting Firm	—
Name of Certified public accountant for the audit services of overseas accounting Firm	—

Whether or not to dismiss the accounting firm during the report period

Yes No

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

Available Not available

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

Available Not available

11. Bankruptcy reorganization

Available Not available

There is no bankruptcy reorganization during the report period.

12. Material litigation and arbitration

Available Not available

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

13. Penalty and rectification

Available Not available

There are no penalties or rectifications during the report period.

14. Credit of the Company, holding shareholders and actual controllers

Available Not available

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

Available Not available

There are no implementation of the Company's equity incentive plan, employee stock ownership plan and other employee incentive measures.

16. Significant related transactions

(1) Related transactions in relation to routine operations

Available Not available

Related party	Interrelationship	Type of related transaction	Content of related transaction	Pricing principle of related transaction	Price of related transaction	Amount of related transaction (CNY '0000)	Proportion in the same kind of transaction (%)	Approved transaction quota	Whether or not exceeds the approved transaction credit	Settlement method of related transaction	Market price	Date of disclosure	Disclosure index
Yantai Shenma Packing Co., Ltd.	Under the same parent company	Related party's commodity and labor transaction	Procurement of commodity and acceptance of labor from related party	Agreement price	—	15,389	11.08%	19,000	No	Check	—	2015.04.25	http://www.cninfo.com.cn
Total				--	--	15,389	--	19,000		--	--	--	--
Details of rejection of big sales				No									
If a prediction is made to the total amount of routine related transactions to occur during this period by type, what is the actual implementation result during the report period (if have)				No									
Cause of bigger differences in between transaction price and market reference price (if applicable)				The transaction price is fixed in reference to market price, no obvious difference.									

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

Available Not available

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

(4) Related current credit and debt

Available Not available

Whether or not exists non-operating related current credit and debt

Yes No

There are no non-business related current credit and debt.

(5) Other major related transactions

Available Not available

Detailed information about other related routine transactions among the Company, the Company's controlling shareholder Yantai Changyu Group Company Limited and its subsidiaries, please see Part 7 "Relation Among Related Parties and Their Transactions" in the financial statement of this report.

Disclosure website of major related transactions' temporary reports for related query

Name of Temporary announcement	Disclosure date of Temporary announcement	Disclosure website name of temporary announcement
Announcement about 2015 annual routine related transactions	2015.04.28	Cninf (http://www.cninfo.com.cn)

17. 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

Contract situation description

During the report period, about the Company's contract operation situation, please see "1. Subsidiary" in Annex 5 "The Consolidation Scope of Consolidated Financial Statements" in the financial report of this report.

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

Available Not available

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

③ Leasehold situation

Available Not available

Leasehold situation description

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

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

Available Not available

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

(2) Major guarantee

Available Not available

① Guarantee situation

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	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
HSBC Bank (China) Company Limited Qingdao Branch	2015.04.28	12500	2014.11.27	11991	Pledge	2014.11.27-2015.11.26	Yes	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)				12500	Balance of the actual external guarantee by the end of the report period (A4)		11991	
Guarantee between the Company and 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	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
Total of the guarantee quota approved to subsidiaries during the report				0	Total of the actual guarantee amount for		0	

period (B1)		subsidiaries during the report period (B2)						
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)	0	Balance of the actual guarantee for subsidiaries by the end of the report period (B4)	0					
Guarantee between 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	Guarantee Period	Whether or not complete implement	Whether or not belong to related-party guarantee
Total of the guarantee quota approved to subsidiaries during the report period (C1)		0	Total of the actual guarantee amount for subsidiaries during the report period (C2)					0
Total of the guarantee quota approved to subsidiaries by the end of the report period (C3)		0	Balance of the actual guarantee for subsidiaries by the end of the report period (C4)					0
Total of the Company's guarantee amount (Total of above three major items)								
Total of the approved guarantee quota during the report period (A1+B1+C1)		0	Total of the actual guarantee amount during the report period (A2+B2+C2)					0
Total of the approved guarantee quota		12500	Balance of the actual					11991

by the end of the report period (A3+B3+C3)		guarantee by the end of the report period (A4+B4+C4)	
The proportion of Actual total guarantee amount (A4+B4+C4) in the Company's net asset			1.59%
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 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		

Specific explanation on adopting complex guarantee type

② Illegal external guarantee

Available Not available

There is no illegal guarantee situation during the report period.

(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.

18. Other explanation of major issues

Available Not available

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

19. Major issues of Company's subsidiaries

Available Not available

20. Social Responsibility

Available Not available

During the report period, considering the fulfillment of the Company's social responsibility, please see *2015 Annual Social Responsibility Report* disclosed on www.cninfo.com.cn on 29th April 2016.

The listed company and its subsidiaries are whether or not to belong to the heavy pollution industry stipulated by the state environmental protection department.

Yes No Not available

21. Related corporation bonds situations

Whether or not the Company has the corporation bonds issued in public, listed in the stock exchange, not due on the annual report's authorized issue date or failed to pay in full on the due date.

No

VI. 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	Sub total	Amount	Percentage %
1、 Unrestricted shares	685,464,000	100%						685,464,000	100%
(1)、 A shares	453,460,800	66.15%						453,460,800	66.15%
(2)、 B shares	232,003,200	33.85%						232,003,200	33.85%
2、 Total shares	685,464,000	100%						685,464,000	100%

Cause of share change

Available Not available

Approval of share change

Available Not available

Transfer of changed shares

Available Not available

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

Available Not available

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

Available Not available

(2) Changes in restricted shares

Available Not available

2. Securities issuance and listing situation

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

Available Not available

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

Available Not available

(3) Current 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

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 or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO. LTD.	Domestic non-state-owned legal person	50.4%	345,473,856	0	0	345,473,856		0
GAOLING FUND,L.P.	Foreign legal person	3.11%	21,300,919	-2,876,078	0	21,300,919		0

CHINA SECURITIES FINANCE CORP	State-owned legal person	2.33%	15,997,455	15,997,455	0	15,997,455	0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.27%	15,576,126	-530,200	0	15,576,126	0
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	1.26%	8,617,471	8,617,471	0	8,617,471	0
GOLDEN CHINA MASTER FUND	Foreign legal person	1.08%	7,389,916	5,415,971	0	7,389,916	0
NORGES BANK	Foreign legal person	0.83%	5,698,452	1,187,206	0	5,698,452	0
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4,761,200	4,761,200	0	4,761,200	0
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.68%	4,669,572	1,188,656	0	4,669,572	0
FUGUO REFORM POWER MIXED SECURITIES INVESTMENT FUNDS	Domestic non-state-owned legal person	0.58%	4,000,000	4,000,000	0	4,000,000	0

Strategic investors or legal result of the placement of new shares to become a top 10 shareholders(if have)(see note 3)	No
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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, and the relationship among the other shareholders is unknown.		
The top 10 shareholders with unrestricted shares			
Name of Shareholders	Number of unrestricted shares held until the end of the year	Type of share	
		Type of share	Amount
YANTAI CHANGYU GROUP CO. LTD.	345,473,856	A	345,473,856
GAOLING FUND,L.P.	21,300,919	B	21,300,919
CHINA SECURITIES FINANCE CORP	15,997,455	A	15,997,455
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	15,576,126	B	15,576,126
GREENWOODS CHINA ALPHA MASTER FUND	8,617,471	B	8,617,471
GOLDEN CHINA MASTER FUND	7,389,916	B	7,389,916
NORGES BANK	5,698,452	B	5,698,452
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	4,761,200	A	4,761,200
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	4,669,572	B	4,669,572
FUGUO REFORM POWER MIXED SECURITIES INVESTMENT FUNDS	4,000,000	A	4,000,000
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business	The top 10 shareholders do not involve in financing activities and stock trade business.		

Whether or not the Company's top 10 common shareholders and shareholders with unrestricted shares 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 unrestricted shares during the report period.

(2) Situation for the controlling shareholders of the Company

Property of holding shareholders

Type of holding shareholders: Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Yantai Changyu Group Co. Ltd.	Sun Liqiang	1997.04.27	26564582—4	Production and distribution of wine, healthy liquor, distilled liquor and non-alcohol beverages, planting 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

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

Type of actual controllers: Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Main business
Yantai Yuhua Investment & Development Co. Ltd	Jiang Hua	2004.10.28	76779294-7	Under state permission, property investment, tenancy of machine and facility, wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electrical products, grape plantation.
ILLVA Saronno Holding Spa	Philippe LEHOUEROU	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	Cai Jinyong	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 Co., Ltd	Chen Dianxin	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment

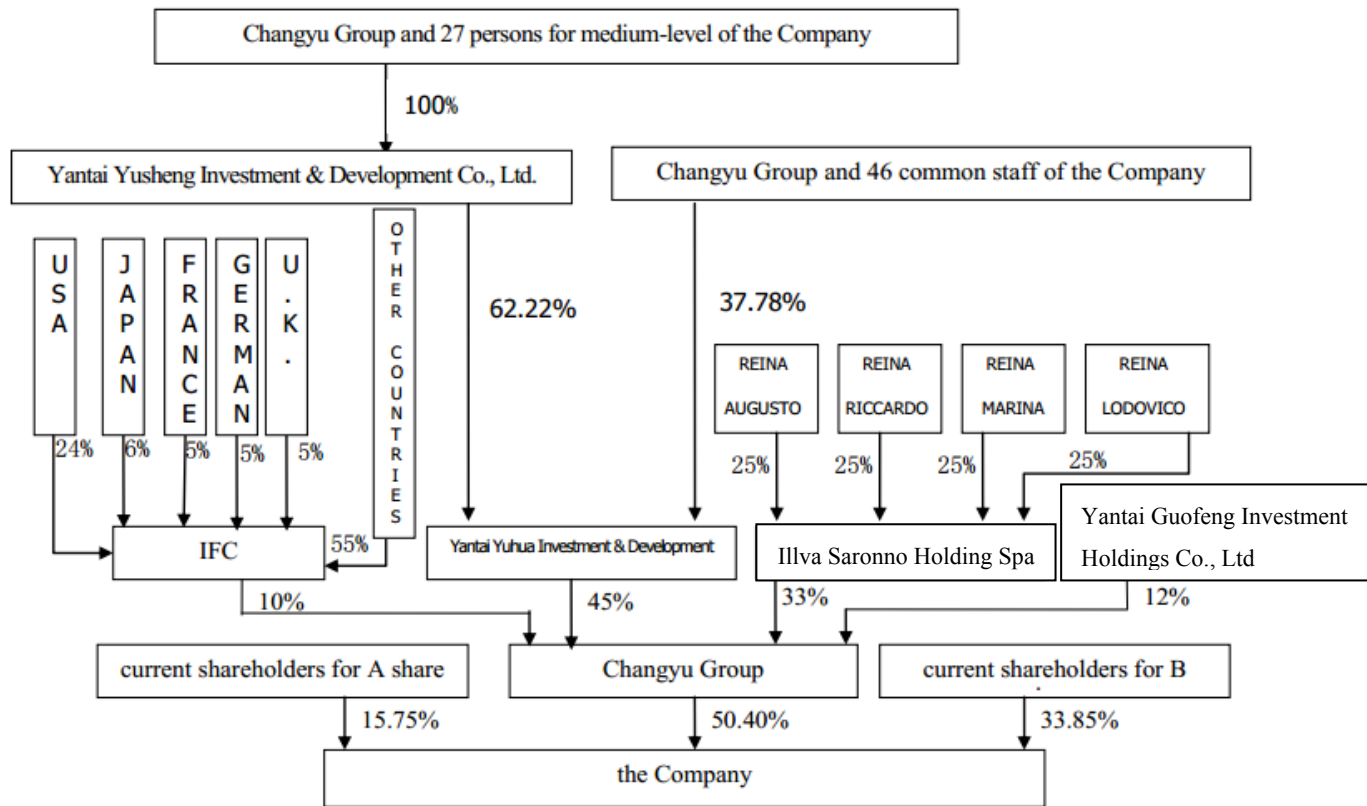
				business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.(Projects need to be authorized in accordance with the law could carry out business activities only after the approval of relevant departments)
Equity situation for the other domestic listed companies controlled by the actual controller during the report period	No			

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) Other institutional shareholders holding more than 10% shares

Available Not available

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

Available Not available

VII. Related Situation of Preferred Shares

Available Not available

There are no preferred shares during the report period.

VIII. Situation for Directors, Supervisors, Senior Management and Staffs

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

Name	Post	Status	Gender	Age	Beginning date of the post	Ending date of the post	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
Sun Liqiang	Chairman to the Board of Directors	present incumbent	M	68	2013.05.14.	2016.05.13	0	0	0	0	0
Zhou Hongjiang	Vice-chairman to the Board of Directors and general manager	present incumbent	M	51	2013.05.14.	2016.05.13	0	0	0	0	0
Leng Bin	Director and vice-general manager	present incumbent	M	53	2013.05.14.	2016.05.13	0	0	0	0	0
Qu Weimin	Director, Vice-general manager and Secretary to the Board of Directors	present incumbent	M	58	2013.05.14.	2016.05.13	0	0	0	0	0
Chen Jizong	Director	present incumbent	M	40	2013.05.14.	2016.05.13	0	0	0	0	0
Augusto Reina	Director	present incumbent	M	75	2013.05.14.	2016.05.13	0	0	0	0	0
Aldino Marzorati	Director	present	M	63	2013.05.14.	2016.05.13	0	0	0	0	0

		incumbent									
Antonio Appignani	Director	present incumbent	M	77	2013.05.14.	2016.05.13	0	0	0	0	0
Dai Hui	Director	present incumbent	F	50	2014.05.23	2016.05.13					0
Xiao Wei	Independent director	present incumbent	M	55	2013.05.14.	2016.05.13	0	0	0	0	
Wang Zhuquan	Independent director	present incumbent	M	51	2014.05.23	2016.05.13					0
Wang Shigang	Independent director	Present incumbent	M	50	2013.05.14.	2016.05.13	0	0	0	0	
Kong Qingkun	Chairman for the Board Supervisors	present incumbent	M	43	2013.05.14.	2016.05.13	0	0	0	0	0
Zhang Lanlan	Supervisor	present incumbent	F	46	2013.05.14.	2016.05.13	0	0	0	0	0
Guo Ying	Supervisor	present incumbent	F	41	2013.05.14.	2016.05.13	0	0	0	0	0
Yang Ming	Vice-general manager	present incumbent	M	57			0	0	0	0	0
Li Jiming	Chief engineer	present incumbent	M	49			0	0	0	0	0
Jiang Hua	Vice-general manager	present incumbent	M	52			0	0	0	0	0
Sun Jian	Vice-general manager	present incumbent	M	49			0	0	0	0	0
Jiang Jianxun	Finance manager	present incumbent	M	49			0	0	0	0	0

2. Changes in the Company's directors, supervisors and senior management

Name	Position	Type	Date	Reason
-	-	Leave post owing to expiration of the term of office		-

3. Situation for work experience

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

The main work experiences of the Company's directors, supervisors and senior management in the recent 5 years

(1) Members of Board of Directors

Mr. Sun Liqiang, a college graduate and senior economist, was the representative of 10th and 11th National People's Congress. Now he is the Party Secretary, Chairman and General Manager of Changyu Group. He began serving as chairman of the Company on September 18th, 1997 and has held the position ever since.

Mr. Zhou Hongjiang, a doctoral graduate and senior engineer, now is the vice chairman of Changyu Group, and the representative of 12th National People's Congress. He began serving as general manager of the Company on December 28th, 2001, Director, Vice Chairman and concurrently as General Manager of the Company on May 20th, 2002, he has held the position ever since.

Mr. Leng Bin, a postgraduate and senior accountant and now is the Director of Changyu Group. He began serving as a director of the Company on June 15th, 2000 and held the position ever since.

Mr. Qu Weimin, a bachelor of engineering and senior economist, has been serving as director, vice General Manager and concurrently as Secretary to the board of directors of the Company since September 18th, 1997.

Mr. Chen Jizong, a university graduate, the qualifications of statistician and accountant, now is the union director of property management department of SASAC Yantai and Director of Changyu Group. He has been director of the Company since May 13th 2010.

Mr. Augusto Reina is serving as chief executive officer of several companies including Illva Saronno Holding SpA and Illva Saronno Investment SRL, member of the board of directors of Barberini Spa, director of Federvini (Italian Alcohols Production and Export Association), director of Istituto Del Liquore (Wine Research Institute), director of Assovini (Sicily Viniculture and Wine Production Association) and director of Changyu Group. He has been director of the Company since April 27th, 2006.

Mr. Aldino Marzorati, a university graduate, is the General Manager of Illva Saronno Holding SpA and director of the board of directors of some branches under the group company and the director of Changyu Group. He has been director of the Company since April 27th, 2006.

Mr. Antonio Appignani, a university graduate, is vice chairman of Italian Business Consultation Committee, chief of Professional Ethics Committee, teacher of vocational training course of Industrial and Commercial Consultation Committee, member of Economic and Commercial Committee of the public university "G. D Annunzio" and concurrently

serving as member of the board of directors of different companies and member of the board of directors of several companies under Illva Group and the director of Changyu Group. He has been director of the Company since April 27th, 2006.

Mr. Dai Hui, born in 1965, MBA, former project manager of Government Transfer Loan Department in China FOTIC (staying in Beijing), former manager assistant of High Net Worth Center in First Pacific Bank (staying in Hongkong), representative of Rabobank Beijing Office (staying in Beijing) and chief representative of Rabobank Beijing Office (staying in Beijing), is now consultant of IFC, director of Changyu Group Company and director of Listed Company.

Mr. Xiao Wei, a postgraduate and a lawyer, now is the partner of Jun He Law Office. He has been serving as independent director of the Company since September 1st, 2010.

Mr. Wang Zhuquan, 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, Government Special Allowance expert, acted as independent director from 13th May 2010 to 12th May 2013. Now he is the professor and the doctoral supervisors of the Ocean University of China as well as independent director of some listed companies which could be exemplified as Qingdao DoubleStar Co., Ltd. He acts as the independent director of the Company again from 23rd May 2014.

Mr. Wang Shigang, MBA and qualification of China Certified Public Accountant, now is the board chairman of Shandong Tianhengxin Construction Cost Consultion Co. Ltd., He previously served as independent director of the Company. He acts as the independent director again from 14th May 2013.

(2) Members of board of supervisors

Mr. Kong Qingkun, MBA and economist, used to be the section member of production department in the healthy liquor branch; the clerk and vice manager of general manager office, now he is the manager of general manager office.

Ms. Zhang Lanlan, a university graduate and economist, used to be vice-manager of import/export company, manager of import department; she is manager of board of directors office now.

Ms. Guo Ying, a university graduate and senior accountant, used to be the member of financial audit department of Yantai Yiqing Industry Company; senior staff of operating supervision department of SASAC Yantai, senior staff and vice director of directors & supervisor office; now she is vice director of directors & supervisor office of SASAC Yantai.

(3) Other senior managers

Mr. Yang Ming, a university graduate and applied researcher, has been serving as Vice General Manager of the Company since August 12th, 1998.

Mr. Li Jiming, a doctor and applied researcher, has been serving as Chief Engineer of the Company since September 14th, 2001.

Mr. Jiang Hua, a postgraduate and senior engineer has been serving as Vice General Manager of the Company since September 14th, 2001.

Mr. Sun Jian, an MBA and economist, has been serving as Vice General Manager of the Company since March 22nd, 2006.

Mr. Jiang Jianxun, an MBA and accredited accountant, has been serving as Financial Manager of the Company since May 20th, 2002.

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
Sun Liqiang	Yantai Changyu Group Co. Ltd.	Chairman and general manager	2013.10.08	2017.10.07	No
Zhou Hongjiang	Yantai Changyu Group Co. Ltd.	Vice chairman	2013.10.08	2017.10.07	No
Li Jiming	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Sun Jian	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Chen Jizong	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Augusto Reina	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Aldino Marzorati	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Antonio Appignani	Yantai Changyu Group Co. Ltd.	Director	2013.10.08	2017.10.07	No
Dai Hui	Yantai Changyu Group Co. Ltd.	Director	2014.03.06	2017.10.07	No
Explanation for the post in the shareholder's company	No.				

Post at other companies

 Available Not Available

Name	Other's Company	Post at other company	Beginning date of the	Ending date of the post	Paid by other company or not
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			post		
Leng Bin	Yantai Changyu Zhongya Medicine & Healthy Liquor Co., Ltd	Director and legal representative	2012.09.10		No
Explanation for the post in the shareholder's company	No.				

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

4. Salary of directors, supervisors and senior management

Decision-making process, the basis for determining, the actual payments of directors, supervisors and senior management

The salary for the independent directors is paid according to the resolution of shareholders' meeting. The salary for the chairman, directors with administration duty, supervisors, managers and other senior management should be paid on basis of the evaluation result according to the *Proposal on Assessment Methods of the Company's Senior Officers' Performance from 2014 to 2017* which was passed during the Board of Directors' meeting.

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

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the company before tax	Whether get reward from related parties of the company
Sun Liqiang	Chairman to the Board of Directors	M	68	present incumbent	135	No
Zhou Hongjiang	Vice-chairman to the Board of Directors and general manager	M	51	present incumbent	135	No

Leng Bin	Director and vice-general manager	M	53	present incumbent	95	No
Qu Weimin	Director, Vice-general manager and Secretary to the Board of Directors	M	58	present incumbent	94	No
Chen Jizong	Director	M	40	present incumbent	0	No
Augusto Reina	Director	M	75	present incumbent	0	No
Aldino Marzorati	Director	M	63	present incumbent	0	No
Antonio Appignani	Director	M	77	present incumbent	0	No
Dai Hui	Director	F	50	present incumbent	0	No
Xiao Wei	Independent Director	M	55	present incumbent	5	No
Wang Zhuquan	Independent Director	M	51	present incumbent	5	No
Wang Shigang	Independent Director	M	50	present incumbent	5	No
Kong Qingkun	Chairman for the Board of supervisors	M	43	present incumbent	66	No
Zhang Lanlan	supervisor	F	46	present incumbent	19	No
Guo Ying	supervisor	F	41	present incumbent	0	No
Yang Ming	Vice-general manager	M	57	present incumbent	88	No
Li Jiming	Chief Engineer	M	49	present incumbent	85	No
Jiang Hua	Vice-general manager	M	52	present incumbent	95	No
Sun Jian	Vice-general manager	M	49	present incumbent	83	No
Jiang Jianxun	Finance manager	M	49	present incumbent	66	No

Total	-	-	-	-	976	-
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The awarded equity incentives for the directors, supervisors and senior management of the Company during the report period

Available Not available

5. Staff of the Company

(1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company (people)	1,845
Incumbent staff number of major subsidiary companies (people)	3,155
Total incumbent staff (people)	5,000
Total staff getting paid in current period (people)	5,000
Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people)	0
Specialty constitution	
Category	Number of people (people)
Production staff	1,434
Sales staff	2,563
Technical staff	194
Financial staff	190
Administrative staff	619
Total	5,000
Education degree	
Category	Number (People)
Bachelor and above	1,324
Junior College	2,299
Technical secondary school	791

Senior high school and below	586
Total	5,000

(2) Remuneration policy

The Company builds and improves the remuneration and welfare system, including salary system, incentive mechanism, social security and health insurance and so on, to make sure that all staff could be insured. In accordance with the law, the Company buys social old-age insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, and pay housing fund for staff. Based on the principle of “distribution according to work, equal pay for equal work”, the Company pay the staff’s remuneration timely. With the increase of the Company’s profitability, the Company steadily improves the staff’s remuneration and welfare, and provides the competitive salary income and development space of equal opportunity for staff.

(3) Training plan

In order to further improve the employees’ comprehensive quality and professional skill, the 2016 training plan for the Company’s major employee is shown as follows:

① Senior and Middle-level Managers

Firstly, it is commonality training. Training topics related with industrial development, business orientation and management philosophy would be chosen to open the senior and middle-level managers’ minds, to promote operation philosophy and also to improve scientific decision-making capacity and operation capacity. The Company plans to employ professional lecturers to give lectures in the company or through remote internet videos. There will be four topics arranged for senior and middle-level managers within the year, one topic in each quarter and one to two days for each topic.

Secondly, it is professional training. Based on personnel work, senior and middle-level managers would be organized in batches to attend high-end forum and summit of entrepreneur and to visit domestic and foreign successful enterprises for studying. Middle-level managers would be encouraged to take participation in MBA and other master degree. The professional managers related with finance, equipment, safety, technology quality and other professional fields would be organized to attend vocational qualification test to get vocational qualification certificate. Senior and middle-level managers would attend special training organized by the Company’s professional management department for safety, technology, equipment, finance and tourism and so on, no less than twice a year.

② Section Chief and Ordinary Staff Members

Firstly, it is commonality training. Courses would be arranged in order to improve capability of management, innovation and execution. In addition, professional lecturers or college teachers would be employed to give lectures in the company, twice a year and one day for each time. They would attend commonality trainings about enterprise culture, rules and regulation, and various alcohol product knowledge which should be known and grasped.

Secondly, it is professional training. Professional and responsible senior managers would choose one book for their subordinate administrative personnel to study on their own. At the end of the year these administrative personnel should propose suggestion for the company's development on the basis of their own work. Eligible general administrative personnel would be encouraged to take participation in MBA and other master degree. The professional administrative personnel related with finance, equipment, safety, technology quality and other professional fields would be organized to attend vocational qualification test to get vocational qualification certificate. Based on their undertaking work, they would attend special training organized by the Company's professional management department no less than twice a year, which involve safety, technology, equipment, finance, tourism and comprehensive management and other special projects.

③ Marketing Personnel

Firstly, it is commonality training. They would study training materials related with the Company's management system, product knowledge and sales responsibility system.

Secondly, it is professional training. For personnel whose level is or above manager assistant in the city marketing management company, the Company would invite professional lecturers to the company or by means of remote internet video to give lectures about successful cases and economic situation research in current domestic and foreign wine industry, once a quarter and one day for each time. For city marketing manager, the Company would strengthen their training for marketing skills as well as execution ability of the company's sales policy. The Company would invite its professional management cadre or employ professional lecturers to take closed training for these managers, once at the beginning of each month and one day for each time. For business directors and other personnel, every marketing management company should be based on the local business and adopt training methods of employing professional lecturers combined with going outside for visit and learning so as to make all marketing personnel within its jurisdiction attend training about successful marketing cases and marketing management philosophy. The frequency of this training is once a quarter and one day for each time.

(4) Labor outsourcing

Available Not available

IX. Corporate Governance

1. Current Corporate Governance Situation of the Company

The Company has, according to relevant national laws and rules including the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Guidelines on Corporate Governance of Listed Companies*, *Listing Guidelines at Shenzhen Stock Exchange* and also other laws and rules issued by CSRC and Shenzhen Stock Exchange, and combining the own actual situation, established *Articles of Associations* and other internal governance regulations, constantly improved its legal entity structure and internal management rules, legally conducted its activities and strengthened the information disclosure. The Company's governance structure is in accord with requirements of relevant regulatory documents on listing company's governance issued by CSRC.

(1)、About shareholders and shareholders' meeting

The Company has already set up the *Deliberation Rules of Shareholders' Meeting*, and convened the shareholders' meetings in strict accordance with requirements of standard opinion 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 power on business and self-management, and also be independent of its holding shareholder on business, staff, assets, organization and finance. The Board of Directors, Board of Supervisors, management team and also internal organizations operated independently in the Company. The holding shareholder of the Company could regulate its activities, no other behavior was found that surpassed the shareholders' meeting to directly or indirectly interfere with the decision-making and business activities of the Company, or occupied any assets of the Company which damaged the Company's and medium & small shareholders' interests.

(3)、About the director and board of directors

The Company strictly appoints all directors in light of *Company Law* 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 already carried out the cumulative voting system. At present, the Company has three independent directors accounting for one fourth of all directors, and the number and composition of board of directors was basically in accord with requirements of regulations and also *Articles and Associations*. All directors of the Company could work in the light of regulations including *Rules of Board of Directors' Procedure* and *Working Rules for Independent Directors*, punctually attended board of directors' and shareholders' meetings, actively took part in relevant knowledge training, knew very well about 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 in accordance with related rules and regulations.

(4)、 About supervisor and board of supervisors

The Company strictly elected all supervisors in light of *Company Laws 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 was in accord with requirements of regulations and rules. 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 opinion on important issues, interrelated deals, financial status, the duty performance of directors and managers of the Company.

(5)、 About performance evaluation and incentive system

The engagement 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 job performance.

(6)、 About the party with relevant benefit

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

(7)、 About the information disclosure and transparency

The Company has appointed the secretary to Board of Directors to be responsible for 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 formulates *Evaluation and Management Methods of Self-supporting Vineyards in 2015*, *Management Methods of Self-supporting Bases in Yantai*, *Changyu Company Examination and Evaluation Methods of Contractual Base in 2015*, *Management Methods of Overseas Enterprises*, *Evaluation Methods of SAP operating maintenance staff in information management department*, *Opinions of Strengthening the construction of Provincial and City-level Manager Team*, and *Opinions of Currently Strengthening Human Resource Management*, etc. In addition, the Company also modify and improve some management systems, such as *Management Methods of Labor Contract* and *Opinions of Staff Training at All Levels in Both Production And Organ Systems*, etc.

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

2. Relative to the controlling shareholder, independence of the Company on business, personnel, assets, organization and finance

(1)、Personnel Arrangement: the Company's general manager, vice general managers and other senior officers, all of whom were paid by the Company did not hold any post in the controlling parties. 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 shareholder, and all legal formalities were completed. The Company being a legal independent entity consistently conducted business activities legally and provided no guarantee in any form with its assets for its shareholders or individuals' liabilities or any other legal persons or natural persons. The Company has already transferred free the trademarks to the Company including “黄金冰谷”, “爱斐堡”, “爱菲堡”, “爱斐” and “AFIP”, etc. However, due to some issues from the past, the Company permitted to use “Changyu” etc the intangible assets such as part of trademark ownership and patent still held by the controlling shareholders.

(3)、Finance: The Company has independent finance department, chief account and financial staff, and also complete, independent and standardized accounting system. The Company has also established its own bank accounts, duly and legally paying taxes, 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)、Offices: 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, 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 shareholder, the Company owns itself completely independent systems covering research and development, accounting, workforce and labor, quality control, raw materials purchase, production and sales, and is possessed of self-run capabilities, and has neither relationship with the controlling shareholder in terms of supply and sales by proxy nor competition with the other.

Progress of the Company's special activities in terms of corporate governance as well as formulation and implementation of inside information source registration and management rules

In order to strengthen management of inside information source and prevent occurrence of backstage deals, the Company's 5th session of Board of Directors' 10th meeting deliberated

and passed the *Inside Information Source Registration and Management Rule* on April 18, 2012. The founding of the system standardized the approval process of inside information reporting, defined the scope of inside information source, and set up a prevention and punishment mechanism of inside information. During the report period, the Company has strictly managed staffs who contact with inside information Source against material inside information of the sensitive disclosure etc such as reporting *information insiders' registration*, and informing timely to supervisory department. During the report period, there were no in the Company the information insiders' transactions of the Company's shares by taking advantage of the sensitive inside information that affects the Company's share price before it was disclosed and no supervisory departments' punishment records, either.

3. Situation for Horizontal Competition

Available Not available

4. Information for the shareholders' meeting and temporary 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	Disclosure Index
Notice of 2014 Annual Shareholders' Meeting Resolution	Annual shareholders' meeting	62.32%	2015.05.22	2015.05.23	http://www.cninfo.com.cn/finalpage/2015-05-23/1201050607.PDF

(2) Request for convening temporary shareholders' meeting by priority shareholders owing recovered voting right

Available Not available

5. Performance of independent directors during the report period

(1) Attendance of independent directors for the board of directors and the shareholders' meeting

Attendance of independent directors for the board of directors						
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice

Wang Zhuquan	4	3	1	0	0	No.
Xiao Wei	4	1	1	2	0	No.
Wang Shigang	4	3	1	0	0	No.
Attendance time of independent directors for the shareholders' meeting	1					

Explanation for not personally attending the Board of Directors' meetings for successive twice

No

(2) Any objections for the Company's projects from the independent directors

Whether or not the independent directors raised any objections for the Company's projects.

Yes No

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

(3) Other explanations on independent directors' performance

The independent directors' propositions are accepted by the Company or not

Yes No

Explanation on acceptance or refusal of the independent directors' propositions

Independent directors propose suggestions on enhancing the feasibility study of investment projects. The Company has organized many times both domestic and foreign experts to make study to major investment projects repeatedly and to demonstrate many times, laying foundation for board of directors' scientific decision.

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

(1) Summary report of the Board of Directors' Audit Committee

① On March 23th, 2015, after the certified public accountants responsible for annual audits had introduced their preliminary opinions, the independent directors on behalf of the Audit Committee communicated with them and made written comments which read that "we communicated in detail with the certified public accountants responsible for auditing of the Company's *2014 Annual Report* who expounded the main standards, main emphasis audited field, the problems and the matters necessary to adjust that were found during the auditing. We've noticed that the Company has adjusted the matters as the accountants suggested. On the basis of our communication with the accountants, the production and operation results that the Company's management reported to us as well as the progress of important events, we believe that we have no objection to the Company's *2014 Annual Financial Statement* preliminarily examined by Deloitte Hua Yong Certified Public Accounts Co., Ltd. and the preliminary audit opinions of that Services."

② On 26th April 2015, the Board of Directors' Audit Committee deliberated and passed *2014 Annual Auditing Report, Proposal on 2014 Annual Profit Distribution, Proposal on*

Appointment for Certified Public Accountants Firm, 2014 Annual Self Assessment Report on the Company's Internal Control and *2015 Annual Internal Audit Plan* issued by Deloitte Hua Yong Certified Public Accounts Co., Ltd.

All of committee members unanimously agree to submit the above proposals to the Company's 6th Session Board of Directors' 4th Meeting for deliberation.

The meeting reached the following consensus:

(A) The clean-opinion auditing report on the *Company's 2014 Annual Financial Statement* issued by Deloitte Hua Yong Certified Public Accounts Co., Ltd reflects the Company's financial condition, operating results and cash flow truly, objectively and correctly.

(B) The profit distribution scheme that the Company formulated is relatively acceptable, taking the shareholders' interest into account while paying attention to the Company's long-term development.

(C) Considering the strict maintenance of objective and fair standpoint as well as the high audit quality and reasonable arrangement for audit progress during the process of the Company's 2014 annual financial audit and internal control audit taken by Deloitte Hua Yong Certified Public Accounts Co., Ltd, it is proposed that the Company will reappoint Deloitte Hua Yong Certified Public Accounts Co., Ltd as the 2015 annual auditor of the Company. The employment period is one year and the audit will be taken from two aspects shown as follows.

On one hand, Deloitte will take the audit of 2015 annual financial report and issue a Financial Audit Report. On the other hand, Deloitte will take the audit of 2015 annual internal control audit and issue an Internal Control Audit Report.

The annual auditing fee for the above parts are CNY 1.95million, including travel expense and all service charges.

(D) The Company's *2014 Annual Self Assessment Report on the Company's Internal Control* has truly and objectively mirrored out the present standing of the Company's internal control and can basically ensure the effective implementation of its policies and realization of its strategic goals.

(E) The Company's *2015 Annual Internal Audit Plan* is comparatively perfect and practicable, based on which the Company's Audit Department will conduct the 2015 annual internal audit.

③ On 26th August 2015, the Board of Directors' Audit Committee deliberated and passed *2015 Semiannual Report* and *2015 Semiannual Profit Distribution*. The meeting reached the following consensus:

The Company's *2015 Semiannual Financial Statements* reflected the Company's financial condition, operating results and cash flow truly, objectively and correctly.

As the Company just realized *2014 Annual Profit Distribution Scheme* in middle July, we propose neither to distribute profits for the first half of 2015 nor to increase the Company's capital stock with accumulated public fund. The net profit made in the first half of this year will be reserved and distributed at the end of the year. Our Auditing Committee considers the suggestion to be reasonable.

All of Committee members unanimously agree to submit the above proposals to the Company's 6th Session Board of Directors' 10th Meeting for deliberation.

(2) Summary report of the Board of Directors' Emolument Committee

The Board of Directors' Emolument Committee is responsible for assessment of the economic responsibilities of the directors and the senior managers who receive salaries from

the Company and examination of the salary policy and scheme designed for the Company's directors and senior managers.

① *Propose on Company's 2014 Annual Senior Executive's Performance Assessment Results* was deliberated and passed by the Board of Directors' Emolument Committee on 26th April 2015, who thought that this document was in compliance with *Performance Assessment Methods for Company's Senior Executive from 2014 to 2017* approved by the Company's 6th Session Board of Directors' 4th Meeting.

All committee members unanimously agree to submit the above proposals to the Company's 6th Session Board of Directors' 8th Meeting for deliberation.

② During the report period, the Board of Directors' Emolument Committee also examined the 2014 annual payroll records of the directors and the senior managers who receive salaries from the Company. The committee believes that the Company's directors, supervisors and senior managers got paid completely in line with the processes of the Company's economic responsibility assessment system and the salaries the Company made public were in conformity with the actually paid amount.

7. The work of the Board of Supervisors

During the report period, whether the board of supervisors found any existence of risk for the Company during their oversight activities.

Yes No

During the report period, the board of supervisors has no objection during their oversight activities.

8. Performance Evaluation and Incentive to Senior Management

The Company has already established a sound system for evaluation of achievement of senior management and the related incentive system which linked the reward with the Company's benefit and personal achievement. The Emolument Committee under Board of Directors assumed the responsibility of stipulating the policy and appraising the scheme for salaries and rewards. Based on the Company's annual production and business goals, this committee examined senior personals and also their responsible subsidiaries or departments according to their management achievement and index, and took these as a criteria of awards or penalties. During the report period, because of not finishing the annual business plan deliberated and passed in the Board of Directors' meeting at the beginning of the year, the total salaries and rewards of the senior management are basically equal to that of last year.

9. Internal Control

(1) Specific circumstances for the significant defects of the internal control found during the report period

Yes No

(2) Self-assessment report on internal control

Disclosure date for the full text of the internal control self-assessment report	2016.04.29	
Disclosure index for the full text of the internal control self-assessment report	www.cninfo.com.cn	
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 can not 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 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 Company does not realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ 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 can not 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.</p> <p>① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and</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 no less than one person 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 person loss or the number of serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures.</p> <p>General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable to constitute the significant defects or major defects. ④ Environment effects: Other environment</p>

	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 integrality 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.	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 $\geq 1\%$</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For operation revenue:</p> <p>① significant defects: misstatements $\geq 1\%$</p> <p>② Major defects: $0.5\% \leq \text{misstatements} < 1\%$</p> <p>③ General defects: misstatements $< 0.5\%$</p> <p>For pretax profit:</p> <p>① Significant defects: misstatements $\geq 5\%$</p> <p>② Major defects: $2\% \leq \text{misstatements} < 5\%$</p> <p>③ General defects: misstatements $< 2\%$</p>	<p>For direct property loss:</p> <p>① Significant defects: More than CNY10 million</p> <p>② Major defects: CNY 1 million-10 million (including 1 million)</p> <p>③ General defects: Less than CNY 1 million</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	

10. Internal control audit report

Available Not available

Audit opinions of the internal control audit report	
We believe that Yantai Changyu Pioneer Wine Co., Ltd. is in accordance with the rules of <i>General Criteria of Company's Internal Control</i> and other related rules, all significant aspects keep effective internal control in the financial report.	
Disclosure of the internal control audit	Disclosure

report	
Disclosure date for the full text of the internal control audit report	29 th April 2016
Disclosure index for the full text of the internal control audit report	Document name: <i>2015 Annual Internal Control Report on Self Assessment</i> . Website address: www.cninfo.com.cn
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 certified public accountants issued a non-standard advice for the audit report of internal control.

Yes No

Whether the audit report of internal control issued by the certified public accountants is in consistency with the self-assessment report of the board of directors.

Yes No

X. Financial Report

1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	25 th April, 2015
Audit agency name	Deloitte Hua Yong certified public accountants co., Ltd. (special general partnership)
Certified public accountant's name	Xu Zhaohui Li Xu

De Shi Bao (Shen) Zi (15) No. P1560

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited and its subsidiaries which comprise the consolidated and company's balance sheets as at 31 December 2015, and the consolidated and company's income statements, the consolidated and company's cash flow statements and the consolidated and company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

1. Management' responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
YANTAI CHANGYU PIONEER WINE COMPANY LIMITED - continued

3. Opinion

In our opinion, the financial statements of Yantai Changyu Pioneer Wine Company Limited present fairly, in all material respects, the consolidated and company's financial position as of 31 December 2015, and the consolidated and company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Shanghai, China

Chinese Certified Public Accountant
Xu Zhao Hui (Signature and seal)
Li Xu (Signature and seal)
27 April 2016

CONSOLIDATED BALANCE SHEETS
YEAR ENDED 31 DECEMBER 2015

<u>ASSETS</u>	<u>Notes</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
CURRENT ASSETS			
Cash and bank	VI-1	1,285,362,414	1,145,365,071
Notes receivable	VI-2	113,988,122	138,315,319
Accounts receivables	VI-3	197,795,091	145,672,411
Prepayments	VI-4	3,591,098	8,073,786
Interest receivable	VI-5	8,019,338	3,619,429
Other receivables	VI-6	46,146,487	31,362,302
Inventories	VI-7	2,260,852,964	2,087,376,398
Other current assets	VI-8	48,449,551	29,662,076
Total current assets		<u>3,964,205,065</u>	<u>3,589,446,792</u>
NON-CURRENT ASSETS			
Available-for-sale financial assets	VI-9	402,814	-
Fixed assets	VI-10	3,089,245,185	2,532,682,355
Construction in progress	VI-11	2,005,990,308	1,700,466,500
Bearer biological assets	VI-12	192,198,283	151,723,241
Intangible assets	VI-13	463,899,916	452,951,194
Goodwill	VI-14	105,504,426	13,112,525
Long-term prepaid expenses	VI-15	175,124,167	201,911,605
Deferred tax assets	VI-16	302,406,656	254,186,823
Other non-current assets	VI-17	45,234,641	15,751,605
Total non-current assets		<u>6,380,006,396</u>	<u>5,322,785,848</u>
Total assets		<u>10,344,211,461</u>	<u>8,912,232,640</u>

CONSOLIDATED BALANCE SHEETS
YEAR ENDED 31 DECEMBER 2015 - continued

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
CURRENT LIABILITIES			
Short-term borrowings	VI-18	665,581,921	300,000,000
Notes payable	VI-19	29,000,000	10,000,000
Accounts payable	VI-20	569,278,368	357,811,822
Receipts in advance	VI-21	234,566,504	215,127,598
Employee benefits payable	VI-22	190,239,451	158,948,592
Taxes payable	VI-23	41,285,107	87,504,048
Interest payable		977,304	3,475,641
Deferred income	VI-24	11,241,873	12,398,718
Other payables	VI-25	509,226,395	469,804,317
Non-current liabilities due within one year	VI-26	156,335,647	-
Total current liabilities		<u>2,407,732,570</u>	<u>1,615,070,736</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	VI-27	71,686,629	209,380,000
Deferred income	VI-24	69,836,411	76,024,992
Deferred tax liabilities	VI-16	34,350,349	4,565,636
Other non-current liabilities	VI-28	4,047,476	3,998,352
Total non-current liabilities		<u>179,920,865</u>	<u>293,968,980</u>
Total liabilities		<u>2,587,653,435</u>	<u>1,909,039,716</u>
EQUITY			
Share capital	VI-29	685,464,000	685,464,000
Capital reserve	VI-30	565,955,441	563,139,042
Other comprehensive income	VI-31	(10,442,512)	(2,803,271)
Surplus reserve	VI-32	342,732,000	342,732,000
Retained earnings	VI-33	5,980,390,074	5,251,920,374
Equity attributable to shareholders of the Company		<u>7,564,099,003</u>	<u>6,840,452,145</u>
Non-controlling interests		192,459,023	162,740,779
Total equity		<u>7,756,558,026</u>	<u>7,003,192,924</u>
Total liabilities and equity		<u>10,344,211,461</u>	<u>8,912,232,640</u>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 3 to 98 were signed by the following:

Legal Representative: _____

Person in Charge of the Accounting Body: _____

Chief Accountant: _____

BALANCE SHEET OF THE COMPANY
YEAR ENDED 31 DECEMBER 2015

<u>ASSETS</u>	<u>Notes</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
CURRENT ASSETS			
Cash and bank	XIV-1	280,818,833	496,138,263
Notes receivable	XIV-2	38,429,319	98,158,251
Accounts receivable	XIV-3	2,392,870	1,516,518
Prepayments	XIV-4	445,619	1,710,787
Interest receivable	XIV-5	8,019,338	3,580,811
Dividend receivable	XIV-6	788,092,349	402,596,884
Other receivables	XIV-7	5,734,456,129	4,708,836,276
Inventories	XIV-8	728,173,107	681,696,774
Other current assets		22,700,317	14,996,807
Total current assets		<u>7,603,527,881</u>	<u>6,409,231,371</u>
NON-CURRENT ASSETS			
Available-for-sale financial assets	VI-8	-	-
Long-term equity investments	XIV-9	1,423,725,152	1,093,437,027
Fixed assets	XIV-10	369,506,014	403,210,655
Construction in progress	XIV-11	7,990,777	182,765
Bearer biological assets	XIV-12	110,961,189	83,631,722
Intangible assets	XIV-13	74,381,525	76,760,678
Deferred tax assets	XIV-14	37,938,692	27,053,571
Total non-current assets		<u>2,024,503,349</u>	<u>1,684,276,418</u>
Total assets		<u>9,628,031,230</u>	<u>8,093,507,789</u>

BALANCE SHEET OF THE COMPANY
YEAR ENDED 31 DECEMBER 2015 - continued

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
CURRENT LIABILITIES			
Short-term borrowings	VI-18	601,297,447	300,000,000
Accounts payable	XIV-15	273,091,182	228,052,722
Employee benefits payable	XIV-16	71,058,615	70,233,251
Taxes payable	XIV-17	19,331,311	18,205,124
Interest payable		977,304	3,475,641
Deferred income		1,767,054	3,017,898
Other payables	XIV-18	994,821,281	1,030,604,819
Non-current liabilities due within one year	VI-26	127,345,600	-
Total current liabilities		<u>2,089,689,794</u>	<u>1,653,589,455</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	VI-27	56,761,600	209,380,000
Deferred income		21,824,352	22,747,915
Other non-current liabilities		1,944,955	1,895,828
Total non-current liabilities		<u>80,530,907</u>	<u>234,023,743</u>
Total liability		<u>2,170,220,701</u>	<u>1,887,613,198</u>
EQUITY			
Share capital	VI-29	685,464,000	685,464,000
Capital reserve	XIV-19	557,222,454	557,222,454
Surplus reserve	VI-32	342,732,000	342,732,000
Retained earnings		5,872,392,075	4,620,476,137
Total equity		<u>7,457,810,529</u>	<u>6,205,894,591</u>
Total liabilities and equity		<u>9,628,031,230</u>	<u>8,093,507,789</u>

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2015

	Notes	2015 RMB	2014 RMB
I. Revenue	VI-34	4,649,722,368	4,156,727,525
Less: Cost of sales	VI-34	1,512,503,035	1,372,444,612
Taxes and surcharges	VI-35	258,013,524	269,446,774
Selling expenses	VI-36	1,211,127,163	1,006,009,364
Administrative expenses	VI-37	313,968,409	256,980,018
Impairment loss of assets	VI-38	2,823,115	1,995,877
Financial expenses	VI-39	11,287,685	(17,256,721)
II. Operating profit		1,339,999,437	1,267,107,601
Add: Non-operating income	VI-40	50,065,317	43,996,405
Including: gains from disposal of non-current assets			192,945
of non-current assets			121,113
Less: Non-operating expenses	VI-41	1,904,889	8,370,249
Including: losses from disposal of non-current assets			56,884
of non-current assets			5,207,658
III. Profit before tax		1,388,159,865	1,302,733,757
Less: Income tax	VI-42	357,884,235	325,026,046
IV. Profit for the year		1,030,275,630	977,707,711
Attribute to shareholders of the Company		1,030,073,860	977,707,711
Minority interest income		201,770	-
V. Other comprehensive income (post-tax)			
Other comprehensive income attributable to shareholders of the Company			
Other comprehensive income to be reclassified to profit and loss			
Foreign currency statement translation difference			(7,639,241)
(2,803,271)			
Other comprehensive income attributable to minority interest		(102,535)	-
Other comprehensive income (post-tax)		(7,741,776)	(2,803,271)
VI. Total comprehensive income			
Attribute to shareholders of the Company		1,022,434,619	974,904,440
Attribute to minority interest of the Company			99,235
Total comprehensive income		1,022,533,854	974,904,440
VII. Earnings per share			
(I) Basic earnings per share	VI-43	1.50	1.43
(II) Diluted earnings per share	VI-43	N/A	N/A

INCOME STATEMENT OF THE COMPANY
YEAR ENDED 31 DECEMBER 2015

	Notes	2015 RMB	2014 RMB
I. Revenue	XIV -20	1,383,184,483	1,647,825,652
Less: Cost of sales	XIV -20	1,154,834,509	1,406,987,744
Taxes and surcharges	XIV -21	128,127,130	157,026,901
Administrative expenses	XIV -22	131,187,795	112,051,545
Impairment loss/(reverse) of assets	XIV -23	-	(192,908)
Financial expenses	XIV -24	18,852,697	(11,053,553)
Investment income	XIV -25	1,587,303,643	1,164,089,666
II. Operating Profit		1,537,485,995	1,147,095,589
Add: Non-operating income		5,229,734	6,371,028
Including: gains from disposal			
of non-current assets			160,609
105,236			
Less: Non-operating expenses		921,076	5,801,396
Including: losses from disposal			
of non-current assets			44,269
5,181,727			
III. Profit before tax		1,541,794,653	1,147,665,221
Less: Income tax		(11,725,445)	(4,096,824)
IV. Profit for the year			
and total comprehensive income		1,553,520,098	1,151,762,045

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>2015</u> RMB	<u>2014</u> RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		5,005,115,064	4,787,289,147
Receipts of tax refunds		17,833,465	18,259,690
Other cash receipts relating to operating activities	VI-44(1)	22,373,016	24,543,547
Sub-total of cash inflows from operating activities		<u>5,045,321,545</u>	<u>4,830,092,384</u>
Cash payments for goods purchased and services received		1,106,430,193	1,255,567,298
Cash payments to and on behalf of employees		400,245,285	(358,415,330)
Payment of various types of taxes		1,312,212,563	1,301,077,872
Other cash payments relating to operating activities	VI-44(2)	1,083,387,137	844,948,588
Sub-total of cash outflows from operating activities		<u>3,902,275,178</u>	<u>3,760,009,088</u>
Net cash flows from operating activities	VI-45(1)	<u>1,143,046,367</u>	<u>1,070,083,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in term deposits over 3 months		58,245,260	307,694,951
Proceeds from return on investments		9,337,943	24,230,453
Proceeds from disposal of fixed assets		3,373,254	1,181,895
Sub-total of cash inflows from investing activities		<u>70,956,457</u>	<u>333,107,299</u>
Cash paid for acquisition of properties, plants and equipment, intangible assets and other long-term assets		775,468,190	1,238,293,585
Cash paid for term deposits over 3 months		20,000,000	77,547,483
Cash paid for the purchase subsidiaries and other equity		213,342,946	-
Sub-total of cash outflows from investing activities		<u>1,008,811,136</u>	<u>1,315,841,068</u>
Net cash flows from investing activities	VI-44(3)	<u>(937,854,679)</u>	<u>(982,733,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		598,060,185	515,368,080
Other cash received from financing activities		4,000,000	129,182,292
Sub-total of cash inflows from financing activities		<u>602,060,185</u>	<u>644,550,372</u>
Cash paid for dividends, profits and interests		326,060,259	353,707,371
Cash paid for borrowings		325,272,800	242,219,439
Cash paid for acquisition minority interest		150,000	-
Cash paid from other financing activities	VI-44(4)	28,150,000	125,000,000
Sub-total of cash outflows from financing activities		<u>679,633,059</u>	<u>720,926,810</u>
Net cash flows from financing activities		<u>(77,572,874)</u>	<u>(76,376,438)</u>
Effect of foreign exchange rate changes on cash and cash Equivalents		4,150,573	(7,059,747)
NET INCREASE OF CASH AND CASH EQUIVALENTS		131,769,387	3,913,342
ADD: CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	VI-45(2)	<u>960,472,274</u>	<u>956,558,932</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	VI-45(2)	<u>1,092,241,661</u>	<u>960,472,274</u>

CASH FLOW STATEMENT OF THE COMPANY
YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>2015</u> RMB	<u>2014</u> RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		1,407,696,475	1,827,219,301
Other cash receipts relating to operating activities		1,050,628	12,168,205
Sub-total of cash inflows from operating activities		<u>1,408,747,103</u>	<u>1,839,387,506</u>
Cash payments for goods purchased and services received		944,400,045	1,302,377,275
Cash payments to and on behalf of employees		149,896,172	151,732,255
Cash payment of various types of taxes		191,387,102	257,237,660
Other cash payment relating to operating activities		1,128,236,602	1,594,026,341
Sub-total of cash outflows from operating activities		<u>2,413,919,921</u>	<u>3,305,373,531</u>
Net cash flows from operating activities	XIV-26	<u>(1,005,172,818)</u>	<u>(1,465,986,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from equity investment		350,000	-
Cash receipts from deposits over 3 months		46,245,260	295,694,951
Cash receipts from return on investments		1,211,082,256	1,530,610,338
Cash receipts from disposals of fixed assets		190,205	550,824
Sub-total of cash inflows from investing activities		<u>1,257,867,721</u>	<u>1,826,856,113</u>
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		42,104,159	52,003,088
Cash payments for term deposits over 3 months		20,000,000	53,547,483
Cash payments for subsidiary investment		330,638,125	37,980,500
Sub-total of cash outflows from investing activities		<u>392,742,284</u>	<u>143,531,071</u>
Net cash flows from investing activities		<u>865,125,437</u>	<u>1,683,325,042</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		595,268,270	515,368,080
Other cash received from financing activities		-	129,182,292
Cash inflows from financing activities		<u>595,268,270</u>	<u>644,550,372</u>
Cash paid for dividends, profits and interests		325,424,652	351,636,158
Cash paid for borrowings		323,051,320	242,219,439
Cash paid from other financing activities		-	125,000,000
Cash outflows from financing activities		<u>648,475,972</u>	<u>718,855,597</u>
Net cash flows from financing activities		<u>(53,207,702)</u>	<u>(74,305,225)</u>
Effect of foreign exchange rate changes on cash and cash Equivalents		3,807,697	(6,939,315)
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS		(189,447,386)	136,094,477
ADD: CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	XIV-27	<u>333,245,466</u>	<u>197,150,989</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	XIV-27	<u>143,798,080</u>	<u>333,245,466</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2015

	2015						Total RMB
	Attributable to shareholders of the Company					Non-controlling interests RMB	
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. Opening balance of the current year	685,464,000	563,139,042	(2,803,271)	342,732,000	5,251,920,374	162,740,779	7,003,192,924
II. Changes for the year							
(I) Total comprehensive income	-	-	(7,639,241)	-	1,030,073,860	99,235	1,022,533,854
(II) Shareholders investment and Divestment							
1. Acquisition subsidiary (VII-1)	-	-	-	-	-	32,585,408	32,585,408
2. Transaction with non-controlling interests	-	2,816,399	-	-	-	(2,966,399)	(150,000)
(III) Profit distribution							
Distributions to shareholders (VI-33)	-	-	-	-	(301,604,160)	-	(301,604,160)
III. Closing balance of the current year	685,464,000	565,955,441	(10,442,512)	342,732,000	5,980,390,074	192,459,023	7,756,558,026
	2014						Total RMB
	Attributable to shareholders of the Company					Non-controlling interests RMB	
	Issued capital RMB	Capital surplus RMB	Other comprehensive income RMB	Surplus reserve RMB	Retained earnings RMB		
I. Opening balance of the current year	685,464,000	563,139,042	-	342,732,000	4,616,944,663	162,740,779	6,371,020,484
II. Changes for the year							
(I) Total comprehensive income	-	-	(2,803,271)	-	977,707,711	-	974,904,440
(II) Profit distribution							
Distributions to shareholders (VI-33)	-	-	-	-	(342,732,000)	-	(342,732,000)
III. Closing balance of the current year	685,464,000	563,139,042	(2,803,271)	342,732,000	5,251,920,374	162,740,779	7,003,192,924

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
YEAR ENDED 31 DECEMBER 2015

	2015				
	<u>Issued capital</u> RMB	<u>Capital reserve</u> RMB	<u>Surplus reserve</u> RMB	<u>Retained earnings</u> RMB	<u>Total</u> RMB
I. Opening balance of the current year	685,464,000	557,222,454	342,732,000	4,620,476,137	6,205,894,591
II. Changes for the year					
(I) Total comprehensive income	-	-	-	1,553,520,098	1,553,520,098
(II) Profit distribution					
Distributions to shareholders (VI-33)	-	-	-	(301,604,160)	(301,604,160)
III. Closing balance of the current year	685,464,000	557,222,454	342,732,000	5,872,392,075	7,457,810,529
	2014				
	<u>Issued capital</u> RMB	<u>Capital reserve</u> RMB	<u>Surplus reserve</u> RMB	<u>Retained earnings</u> RMB	<u>Total</u> RMB
I. Opening balance of the current year	685,464,000	557,222,454	342,732,000	3,811,446,092	5,396,864,546
II. Changes for the year					
(I) Total comprehensive income	-	-	-	1,151,762,045	1,151,762,045
(II) Profit distribution					
Distributions to shareholders (VI-33)	-	-	-	(342,732,000)	(342,732,000)
III. Closing balance of the current year	685,464,000	557,222,454	342,732,000	4,620,476,137	6,205,894,591

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

I. CORPORATE INFORMATION

Yantai Changyu Pioneer Wine Co., Ltd. (the "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 reorganization carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group Company"), in which Changyu Group Company injected certain assets and liabilities in relation to the brandy, wine, 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. 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 2015 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Notes VI-29 in detail.

The holding company of the Group is Changyu Group Company, which is jointly controlled by Yantai SASAC, ILLVA Saronno Investment Italy, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

The financial statements have been authorized by the board of directors on 27 April 2015. 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 Notes VIII "Equity in other entities" in detail. For detail of changes in consolidation scope of the year, please refer to Notes VII "Change in consolidation scope".

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**1. Basis of preparation**

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014).

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued**2. Basis of accounting and principle of measurement**

The Group has adopted the accrual basis of accounting. The Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost measurement, an asset is measured at the fair value of consideration paid in cash and cash equivalents at the date of the purchase. Liability is measured at the value of asset received through taking current obligation, the contract value for taking current obligation, or the cash and cash equivalents value estimated for repaying debt in daily business activity.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

3. Going concern

As at 31 December 2015, the Group evaluated the profitability ability in the foreseeable 12 months and did not notice any event or circumstance that would constitute significant doubt on going concern ability of the Group. Therefore, the financial statements have been prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING

1. Declaration for implementing CAS

The financial statements are prepared in accordance with CAS, which showing a true and fair view of the financial position on 31 December 2015, financial performance and cash flow in 2015 of the Company and the Group.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Business cycle

Business cycle refers to the period from purchasing assets to be processed to receiving cash or cash equivalents by the Company. The business cycle of the Company is 12 months.

4. Reporting 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. The Company's foreign subsidiary chooses Currency Euro as its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

5. Business combination

5.1 Business combinations not involving enterprises under common control and goodwill

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Qualified identifiable assets, liabilities and contingent liabilities obtained by acquirer in the acquisition are measured using fair value at the acquisition date.

The cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Within the 12 month after acquisition, adjustment for the provisional recognised value will be regarded as the recognition and measurement at acquisition date.

At the end of the year for acquisition, if the fair value for qualified identifiable assets, liabilities and contingent liabilities can be determined temporarily, temporarily determined fair value will be recognised as consideration for recognition and measurement of acquisition.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

5. Business combination - continued

5.1 Business combinations not involving enterprises under common control and goodwill-continued

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

6. Preparation of consolidated financial statements

6.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The Group will re-evaluate if changes in relevant facts and circumstances results in changes in relevant factors involved in the above definition of control.

Consolidation of subsidiary starts from the control on the subsidiary by the Group and ends at the loss of control on the subsidiary by the Group.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the net profit line item.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

6. Preparation of consolidated financial statements - continued

6.1 Preparation of consolidated financial statements - continued

For the transaction that Purchase minority interest or disposal part of the equity does not loss the control of the subsidiaries, it should treated as equity transaction, and adjust the equity attributable to shareholders and minority interest in order to reflex the changes of equity in subsidiaries. The difference between minority interest adjustment and fair value of received/paid consideration will adjust in capital reserve, and if capital reserve is not enough for offset, will adjust surplus reserve.

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items denominated in foreign currencies and changes in the carrying amounts of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

8. Translation of transactions and financial statements denominated in foreign currencies - continued

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies of other comprehensive income under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

9. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

9.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

9. Financial instruments - continued

9.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets of the Group are loans and receivables and available-for-sale financial assets.

9.2.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank, notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.2.2 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

9.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

9. Financial instruments - continued

9.3 Impairment of financial assets - continued

- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

- Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

- Impairment of available for sale assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

9. Financial instruments - continued

9.4 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

9.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in group are other financial liabilities, including short-term borrowings, notes payables, account payables, interest payables, other payables and long-term borrowings etc.

9.5.1 Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

9.6 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

9. Financial instruments - continued

9.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

9.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group does not recognise any changes in the fair value of equity instruments. The equity instruments transaction expenses deducted from equity.

The Group treats distribution to equity instrument holders as profit distributions. Shareholder equity is not affected by share dividend distributed.

10. Account Receivables

10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

A receivable that exceeds RMB 3,000,000 is deemed as an individually significant receivable by the Group.

For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

10.2 Receivables that are not individually significant but for which bad debt provision is individually assessed

For receivables that are not individually significant but for which bad debt provision is individually assessed, when objective evidence suggests that the Group cannot collect receivables in accordance with original clauses, the Group would recognize impairment loss and provide bad debts according to the difference between carrying amount and present value of future cash flows.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly 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 expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

Agricultural products harvested are reported in accordance with the CAS 1 Inventories.

11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

11.5 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

12. Long term equity investments

12.1 Basis for determining control, joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.2 Determination of initial investment cost

For a long-term equity investment acquired not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

Audit fee, legal services, consulting fees and other related management costs in acquisition are expensed in profits and losses when happened.

Other long-term equity investments acquired from other than acquisitions are recognised using original cost.

12.3 Subsequent measurement and recognition of profit or loss

12.3.1 Long-term equity investment accounted for using the cost method

The Group accounts for long-term equity investment using the cost method. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Long-term equity investment is adjusted when capital is added or recollected. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

13. Fixed assets

13.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

13.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Buildings	20-40years	0-5%	2.4%-5.0%
Machinery	5-20years	0-5%	4.8%-20.0%
Motor Vehicles	4-12years	0-5%	7.9%-25.0%

Estimated net residual value assumes the situation where a fixed asset expire for its estimated useful life and is in its expected final status. Estimated net residual value is the amount that the Group can obtain from the disposal less expected disposal fees.

13.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

14. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

16. Biological assets

16.1 Bearer biological assets

Bearer biological assets are biological assets, for example, held for the production of agricultural produce, provision of services or rental. Bearer biological assets in the Group are vines. A bearer biological asset is initially measured at cost. The cost of a bearer biological asset self-grown or self-bred comprises those costs necessarily incurred and directly attributable to the asset before the asset becomes available for its intended production and operating purposes, and any borrowing cost meeting the capitalisation criteria.

The Group charge depreciation for productive biological assets which satisfy expected production, and record the depreciation in balance sheet and income statement. The Group uses straight line method to calculate the depreciation, and details as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual rate</u>	<u>Annual depreciation rate</u>
Vines	20 years	-	5%

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

The Group reviews the useful life and estimated net residual value of bearer biological assets and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

On the sale, identification of any shortages during stocktaking, death or damage of biological asset, the proceeds on disposal net of the carrying amount and relevant taxes is recognised in profit or loss for the current period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

17. Intangible assets

Intangible assets include land use rights, software, etc.

An intangible asset is measured initially at cost method. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. The useful lives of the intangible assets are as follows:

<u>Item</u>	<u>Useful life</u>	<u>Net residual value</u>	<u>Annual amortization rate</u>
Land use rights	40-50 years	-	2-2.5%
Software	5-10 years	-	10-20%
Trademark	10 years	-	10%

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

18. Impairment of long-term assets

The Group and the Company review the impairment status of long-term equity investments, fixed assets, construction in progress, bearer biological asset and intangible assets with finite useful life at the end of each year. If the assets exist impairment, the Group estimates the recoverable amount of the assets.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If recoverable amount of assets is less than book value, the difference is recognised as impairment provision and expensed in current period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group (s), i.e., goodwill is reasonably allocated to the related assets group (s) or each of assets group (s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The impairment is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

19. Long term prepaid expenses

Long term prepaid expenses of the Group are amortized over the following period:

	<u>Amortization period</u>
Land requisition fee	50 years
Land lease prepayment	50 years
Greening fee	5 years
Leasehold improvement	3-5years
Others	3 years

20. Employee benefits

20.1 Short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the actual employee benefits for that service as a liability. The employee benefits of the Group are either included in cost of related assets or charged to profit or loss in the period when they are incurred. Non-monetary employee benefits are measured at fair value.

Social insurances such as medical insurance, injury insurance and pregnancy insurance, housing funds, labor union and employee education fees paid by the Group for employees, are recognised as relevant liability in the period in which the employees provide service, in accordance with the regulated recognition basis and percentage. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

20.2 Accounting treatments of retired benefits

Retired benefits of the Group are all predetermined provision plan.

In the period in which the employees provide service, the Group recognise liability in accordance with the amounts to be paid calculated according to the predetermined provision plan, and the related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

20.3 Accounting treatments of termination benefits

When providing termination benefits to employees, the Group recognise employee benefits payroll resulting from termination benefits at the earlier of: the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; the Group recognise relevant costs and expenses related to the payment of termination benefits in reconstructing.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

21. Revenue

21.1 Revenue from sale of goods

Revenue from sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The amount of revenue can be measured reliably and it is probable that the associated economic benefits will flow to the Group. The associated costs incurred or to be incurred can be measured reliably.

21.2 Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. The income is accounted for as either a government grant related to an asset or a government grant related to income based on its nature.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. Monetary government grants are measured by the amount received or receivable.

22.1 Government grant related to an asset

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

22.2 Government grant related to income

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

23. Deferred tax assets/deferred tax liabilities

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

23.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

23.2 Deferred tax assets and deferred tax liabilities

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

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING - continued

23. Deferred tax assets/deferred tax liabilities - continued

23.2 Deferred tax assets and deferred tax liabilities - continued

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

23.3 Net off of income taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

24. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease accounting methods

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period.

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of accounting policies as set out in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group periodically review the judgments, estimates and assumptions above on a going concern basis. For those changes in accounting policies that only affect current financial statements, the influences are recognized in current period. For those changes in accounting policies that affect both current and future financial statements, the influences are recognized in both current and prospective periods.

Significant accounting judgments and accounting estimates

The following are key assumptions for after balance sheet date event and other factors of uncertain estimation. They may cause material adjustment on balance sheet in following accounting period.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Depreciation

As set out in Note III-13, the depreciation is calculated on the straight line basis to write-off the cost of each item of fixed assets to its residual value over its estimated useful life. The Group's management determines the estimated useful lives for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. If the previous estimates have significant changes, and depreciation expenses will be adjusted in the future periods.

Useful life of intangible assets

The estimated useful lives of the intangible assets are determined based on the historical experience of the actual useful lives of intangible assets of similar nature and functions as well as considering the contractual rights and statutory rights applicable to the intangible assets.

When the estimated useful lives of finite intangible assets are shortened or extended, the amortization periods should be adjusted accordingly.

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued**Significant accounting judgments and accounting estimates - continued**Impairment of non-current assets

The Group assesses whether the recoverable amount is lower than the book value. If there are any indicators that the book value of non-current assets cannot be fully recoverable, impairment losses should be recorded.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from an asset. As it is difficult for the Group to obtain the quoted market price of the assets (or assets group), the fair value of the assets cannot be reliably estimated. When the management make estimation on the expected future cash flows from the asset or cash generating unit, estimates should be made on choosing a suitable production volume, selling price and related operating costs discount rate in order to calculate the present value of those cash flows. When recoverable amounts are undertaken, management may use all available for use information, including the forecast on production volume, selling price and related operating costs in reasonable and supportable assumptions.

Estimated provision for accounts receivable

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy are considered indicators that the trade receivable is impaired. The provision is reassessed at the end of each year.

Inventory provision based on net realizable value

The inventory are measured on the lower of carrying value and net realizable value, and provision should be made for impairment on obsolete and slow moving inventories. The group will reassess whether the net realizable value is lower than the carrying cost at the end of each year.

Inventory provision based on net realizable value

The inventory are measured on the lower of carrying value and net realizable value, and provision should be made for impairment on obsolete and slow moving inventories. The group will reassess whether the net realizable value is lower than the carrying cost at the end of each year.

V. TAXES

1. The main taxes and tax rate are as follows:

(1) China

Value added tax	VAT is levied at 17% on the invoiced amount after deduction of eligible input VAT.
Consumption tax	The consumption tax of the group is levied on gross revenue at rates ranging from 10% to 20%.
Business tax	The Group is subject to a business tax of 5% on its taxable revenue.
City development tax	Levied at 7% of total business tax payment.
Corporate income tax	The Group is subject to a corporate income tax rate of 25% on its taxable income.

(2) France

Value added tax	VAT is levied at 19.6% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 33% on its taxable income.

(3) Spain

Value added tax	VAT is levied at 21% on the invoiced amount after deduction of eligible input VAT.
Corporate income tax	The Group is subject to a corporate income tax rate of 30% on its taxable income.

Other than tax incentives stated in Notes-V (2), applicable tax rates of the Group in 2015 and 2014 are all stated as above.

2. Tax incentives and relative permit

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 PRC Corporate Income Tax and clause 86 of PRC Corporate Income Tax Measures for Implementation, Ningxia Changyu Grape Growing Co., Ltd. enjoys an exemption of corporate income tax.

A subsidiary of the Company, Xinjiang Tianzhu Co., Ltd ("Xinjiang Tianzhu") which is a wine production enterprise incorporated in Xinjiang Weizu Autonomous. In accordance with (Caishui [2011] No.60) and (Xinzhengfa [2010] No.105), which is from 2012 to 2015, the company apply a privileged corporate income tax rate of 15% besides the exemption of corporate income tax which belongs to local government. The corporate income tax applicable for current year is 9%.

A subsidiary of the Company, Xinjiang Babao Baron Chateau Co., Ltd. ("Shihezi Chateau") which is a wine production enterprise incorporated in Xinjiang Weizu Autonomous. In accordance with (Caishui [2011] No.60) and (Xinzhengfa [2010] No.105), which is from 2011 to 2015, the company apply a privileged corporate income tax rate of 15% besides the exemption of corporate income tax which belongs to local government. The corporate income tax applicable for current year is 9%.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	179,488	101,660
Bank balance	1,103,705,354	1,010,259,393
Other currency fund	181,477,572	135,004,018
Total	<u>1,285,362,414</u>	<u>1,145,365,071</u>

As at 31 December 2015, the balance of restricted cash of the Group is RMB 2,643,181 (31 December 2014: RMB 2,643,519), which is the Company's housing fund.

As at 31 December 2015, the Group's other monetary assets include security of RMB 125,000,000 pledged for a short-term borrowing from HSBC of HKD 152,000,000 (translated as RMB 127,345,600); deposit of RMB 370,000 for letter of credit; Yantai Changyu Wine Research and Development Co., Ltd. ("R&D Centre") pledged deposit of RMB 26,100,000; refundable deposit for notes payable of Shihezi Chateau of RMB 20,000,000, Xinjiang Tianzhu of RMB 7,000,000 and Xinjiang Changyu Trading Co., Ltd("Xinjiang Trading") of RMB 3,000,000; company cards deposit guarantee of RMB 7,572.

As at 31 December 2015, the Group's overseas cash and bank deposit is RMB 6,019,640 (31 December 2014: RMB 43,746,008).

As at 31 December 2015, The Group's term deposits with original maturity of more than three months when acquired is RMB 9,000,000 (31 December 2014: RMB 47,245,260) with interest rates ranging from 1.38%-1.69%.

2. Notes receivable

(1) Categories of notes receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>113,988,122</u>	<u>138,315,319</u>

(2) Notes receivable which have been pledged as security at the end of the period:

As at 31 December 2015, there was no pledged notes receivable (31 December 2014: Nil).

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Notes receivable - continued

(3) Notes endorsed by the Group to other parties which are not yet due at the end of the period

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>84,677,596</u>	<u>47,805,224</u>

As at 31 December 2015, notes endorsed by the Group to other parties which are not yet due at the end of the period is RMB 84,677,596 (31 December 2014: RMB 47,805,224). The notes are used for payment to suppliers. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, and almost all the risks and rewards on ownership of the notes receivable have been transferred to the supplier, 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.

(4) Notes receivable reclassified to accounts receivable due to the drawers' inability to settle the note on maturity

As at 31 December 2015, no notes receivable were reclassified as accounts receivable due to the default of drawer (31 December 2014: Nil).

3. Accounts receivables

(1) Disclosure of accounts receivables by categories:

	<u>Closing balance</u>					<u>Opening balance</u>				
	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u> <u>Amount</u> RMB	<u>Amount</u>		<u>Bad debts provision</u>		<u>Carrying amount</u> <u>Amount</u> RMB
	<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Ratio</u> %		<u>Amount</u> RMB	<u>Proportion</u> %	<u>Amount</u> RMB	<u>Ratio</u> %	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	74,538,738	37.7	-	-	74,538,738	67,557,319	46.4	-	-	67,557,319
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	123,256,353	62.3	-	-	123,256,353	78,115,092	53.6	-	-	78,115,092
Total	<u>197,795,091</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>197,795,091</u>	<u>145,672,411</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>145,672,411</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

3. Accounts receivable - continued

(1) Disclosure of accounts receivable by categories: - continued

The normal credit term is one month, which can be extended to one year for certain major customers. The accounts receivable are interest-free.

As at 31 December 2015, ownership restricted accounts receivable is RMB 23,880,775(31 December 2014: Nil), referring to Note VI 46.

The aging analysis is as follows:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	197,653,190	145,672,411
1 to 2 years	141,901	-
	<u>197,795,091</u>	<u>145,672,411</u>

(2) Recognitions, collections and reversals during the current period:

As at 31 December 2015, there was no bad debt provision for accounts receivable (31 December 2014: Nil). There was no bad debt provision made, reversed or written-off by management in 2015 (2014: Nil).

(3) Top five entities with the largest balances of accounts receivable:

	<u>Relationship with the Group</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total receivables</u> %
Nonggongshang Supermarket (Group) Co., Ltd	Third party	19,222,933	Within 1 year	9.7
Wal-Mart (China) Investment Co., Ltd.	Third party	12,943,338	Within 1 year	6.5
DIA Market	Third party	8,698,247	Within 1 year	4.4
SCHENK GmbH	Third party	8,404,733	Within 1 year	4.2
Suguo Supermarket Co., Ltd	Third party	7,032,205	Within 1 year	3.6
		<u>56,301,456</u>		<u>28.4</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Prepayments

(1) The aging analysis is as follows:

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Amount</u> RMB	<u>Ratio</u> %	<u>Amount</u> RMB	<u>Ratio</u> %
Within 1 year	3,096,223	86.2	8,073,786	100.0
1 to 2 years	494,875	13.8	-	-
	<u>3,591,098</u>	<u>100.0</u>	<u>8,073,786</u>	<u>100.0</u>

(2) As at 31 December 2015, the top 5 of prepayments are as follows:

	<u>Relationship</u> <u>with the Group</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Reason</u> <u>for being</u> <u>outstanding</u>	<u>Percentage of</u> <u>total advances</u> <u>to suppliers</u> %
Shandong Electricity Company Yantai branch	Third party	423,749	Within 1 year	electricity purchase	11.8
Beijing Diaoyutai Wine Co.	Third party	400,800	1 to 2 years	goods not received	11.1
Viña Zorzal	Third party	255,427	Within 1 year	goods not received	7.1
DONELLIVINI S.P.A	Third party	224,874	Within 1 year	goods not received	6.3
BONFILS Co., Ltd	Third party	149,309	Within 1 year	goods not received	4.2
		<u>1,454,159</u>			<u>40.5</u>

5. Interest receivable

(1) Categories of interest receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Interests of term deposits	<u>8,019,338</u>	<u>3,619,429</u>

(2) Overdue interest

As at 31 December 2015, there was no overdue interest receivable (31 December 2014: Nil).

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables

(1) Disclosure of other receivables by categories

	Closing balance					Opening balance				
	Amount		Bad debts provision		Carrying amount	Amount		Bad debts provision		Carrying amount
	Amount	Proportion	Amount	Ratio		Amount	Proportion	Amount	Ratio	
RMB	%	RMB	%	RMB	RMB	%	RMB	%	RMB	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	32,390,931	60.7	(7,199,521)	22.2	25,191,410	16,540,213	42.9	(7,199,521)	43.5	9,340,692
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	20,955,077	39.3	-	-	20,955,077	22,021,610	57.1	-	-	22,021,610
Total	53,346,008	100.0	(7,199,521)	14.0	46,146,487	38,561,823	100.0	(7,199,521)	18.7	31,362,302

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

As at 31 December 2015, the bad debt provision for individually significant balance is as follows:

	Balance	Bad debts provision	Percentage	Reason for provision
	RMB	RMB	%	
liquidation				The debtor is in the process of
Tiantong Security Co., Ltd.	7,199,521	7,199,521	100	Unable to repay

The aging analysis is as follows:

	Closing balance				Opening balance			
	Amount		Bad debts provision	Carrying amount	Amount		Bad debts provision	Carrying amount
	Amount	Proportion			Amount	Proportion		
	RMB	%	RMB	RMB	%	RMB	RMB	
Within 1 year	36,271,669	68.0	-	36,271,669	22,513,054	58.4	-	22,513,054
1 to 2 years	2,725,644	5.1	-	2,725,644	7,422,977	19.3	-	7,422,977
2 to 3 years	6,840,476	12.8	-	6,840,476	976,083	2.5	-	976,083
Over 3 years	7,508,219	14.1	(7,199,521)	308,698	7,649,709	19.8	(7,199,521)	450,188
Total	53,346,008	100.0	(7,199,521)	46,146,487	38,561,823	100.0	(7,199,521)	31,362,302

(2) Accrual, reversal and written-off during the current period

No bad debt accrued or reversed in 2015 (2014: bad debt was reversed RMB 192,908).

(3) Other receivables written off in the reporting period

No other receivable written off in 2015.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

(4) Disclosure of other receivables by categories

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Deposit	27,424,926	8,651,139
Investment fund	7,199,521	7,199,521
Petty cash receivable	6,679,122	3,138,780
Refund of consumption tax, real estate tax	635,482	8,772,123
Others	11,406,957	10,800,260
	<u>53,346,008</u>	<u>38,561,823</u>

(5) Top five entities with the largest balances of other receivables

As at 31 December 2015, the top 5 of other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Percentage of total</u> <u>other receivable</u> %	<u>Bad debt</u> <u>Amount</u> RMB
Yantai Development Zone Construction Enterprise Pension Security Management Office	Construction deposit	12,325,300	Within 1 year	23.1	-
Yantai Development Zone Finance Bureau	Construction deposit	7,866,110	Within 1 year	14.8	-
Tiantong Security Co., Ltd.	Investment fund	7,199,521	Over 3 years	13.5	7,199,521
Yantai Development Zone Construction Industry Association	Construction deposit	5,000,000	2-3 years	9.4	-
Canada Oros Ice-wine Co., Ltd	Foreign investment fund	2,050,000	Within 1 year	3.8	-
		<u>34,440,931</u>		<u>64.6</u>	<u>7,199,521</u>

7. Inventories

(1) Disclosure of inventories by categories

	<u>Closing balance</u>			<u>Opening balance</u>		
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying amount</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying amount</u> RMB
Raw material	89,256,433	-	89,256,433	74,820,215	-	74,820,215
Work in progress	1,247,023,301	-	1,247,023,301	919,070,983	-	919,070,983
Finished goods	942,720,720	(18,147,490)	924,573,230	1,108,809,575	(15,324,375)	1,093,485,200
	<u>2,279,000,454</u>	<u>(18,147,490)</u>	<u>2,260,852,964</u>	<u>2,102,700,773</u>	<u>(15,324,375)</u>	<u>2,087,376,398</u>

(2) Inventory provision

<u>2015</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Finished goods	15,324,375	2,823,115	-	18,147,490

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Other current assets

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Prepaid taxes	31,782,345	22,462,248
Prepaid rent	16,667,206	7,199,828
	<u>48,449,551</u>	<u>29,662,076</u>

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

	<u>Closing balance</u>			<u>Opening balance</u>		
	<u>Amount</u> RMB	<u>Impairment</u> RMB	<u>Carrying amount</u> RMB	<u>Amount</u> RMB	<u>Impairment</u> RMB	<u>Carrying amount</u> RMB
Available-for-sale equity instruments measured at cost	10,402,814	(10,000,000)	402,814	10,000,000	(10,000,000)	-

(2) Available-for-sale financial assets measured at cost

Investee	<u>Carrying amount</u>				<u>Provision for impairment losses</u>				Proportion of voting power in the investee (%)	Cash dividend for the period RMB
	<u>Opening</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing</u> RMB	<u>Opening</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing</u> RMB		
Yantai Dingtao Construction and Development Co., Ltd.	10,000,000	-	-	10,000,000	10,000,000	-	-	10,000,000	18.0	
Other(Note)	-	428,062	(25,248)	402,814	-	-	-	-	Less than 1%	-
	<u>10,000,000</u>	<u>428,062</u>	<u>(25,248)</u>	<u>10,402,814</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>		

Note: the Group holding equity ratios of investment companies are less than 1%. Investment companies are all unlisted companies, and their fair value cannot be measured reliably, therefore, the Group uses cost method to measure these available-for-sale financial assets.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

10. Fixed assets

(1) Details of fixed assets

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor Vehicles</u> RMB	<u>Total</u> RMB
I. Total original carrying amount				
1. Opening balance	2,059,698,368	1,373,974,100	25,774,703	3,459,447,171
2. Increase				
(1)Purchase	1,221,540	37,341,344	2,682,690	41,245,574
(2)Transfer from CIP	483,914,646	54,214,495	-	538,129,141
(3)Acquisition increase	102,584,131	41,163,681	-	143,747,812
3. Decrease				
Disposal	-	(8,074,470)	-	(8,074,470)
4. Closing balance	2,647,418,685	1,498,619,150	28,457,393	4,174,495,228
II. Total accumulated depreciation				
1. Opening balance	269,635,846	636,170,373	20,958,597	926,764,816
2. Increase				
Additions	66,803,588	94,435,359	2,083,557	163,322,504
3. Decrease				
Disposal	-	(4,837,277)	-	(4,837,277)
4. Closing balance	336,439,433	725,768,456	23,042,154	1,085,250,043
III. Total carrying amount				
1. Closing carrying amount	2,310,979,252	772,850,694	5,415,239	3,089,245,185
2. Opening carrying amount	1,790,062,522	737,803,727	4,816,106	2,532,682,355

As at 31 December 2015, fixed assets with ownership restricted are RMB 18,405,000 (31 December 2014: Nil), referring to Note VI 46.

As at 31 December 2015, there was no temporary idle fixed assets, no fixed assets leased under finance leases, no leased out under operating leases and no held for sale at the end of the period.

(2) Fixed assets of which certificates of title have not been obtained

As at 31 December 2015, buildings without property certificate are as follows:

<u>Items</u>	<u>Amount</u> RMB	<u>Reasons why certificates of title have not been obtained</u>
Xinjiang Shihezi Chateau factory building	260,886,798	Processing
Beijing Chateau European town, main, service building	226,944,579	Processing
Changan Chateau Dormitory building, main building	153,634,358	Processing
Ningxia Wine production factory and office building	149,892,083	Processing
Ding Luo Te Chateau main building	93,911,036	Processing
Sales Company office buildings	43,885,709	Processing
Xinjiang Tianzhu fermentations and storage warehouse	19,701,916	Processing
Ice Wine Chateau office building and packing workshop	10,121,819	Processing
Fermentation centre office, experiment building and workshop	6,251,433	Processing
Jingyang factory fermentation building	4,679,099	Processing
Kylin Packaging finished goods warehouse and workshop	2,668,884	Processing
	972,577,714	

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Construction in progress

(1) Construction in progress

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
R&D centre (“Changyu Wine integrational Construction”) Project	1,799,097,086	1,127,641,913
Xianyang Chateau Construction Project	61,308,522	224,737,964
Sales Company construction project	55,645,386	39,316,089
Huanren factory construction project	29,502,825	26,261,424
Shihezi Chateau Construction Project	28,105,618	75,812,215
Ningxia Chateau Construction Project	13,709,767	131,515,731
The Company's reconstruction project	7,990,777	182,767
Ding Luo Te Chateau Project	5,000,221	73,517,357
AFIP plaza reconstruction project	3,659,245	28,000
Jingyang Wine fermentation workshop reconstruction project	997,645	794,385
Other companies construction project	973,216	658,655
	<u>2,005,990,308</u>	<u>1,700,466,500</u>

(2) Changes in significant construction in progress

	<u>Budget</u> RMB	<u>Opening balance</u> RMB	<u>Addition</u> RMB	<u>Transfer to PPE</u> RMB	<u>Opening balance</u> RMB	<u>Accumulated expenditure/budget</u> %	<u>Status</u>	<u>Financed by</u>
R&D centre (“Changyu Wine integrational Construction”) Project	3,505,780,000	1,127,641,913	671,455,173	-	1,799,097,086	51.3	51.3	Self-raised
Xianyang Chateau Construction Project	620,740,000	224,737,964	63,730,354	(227,159,796)	61,308,522	99.5	99.5	Self-raised
Sales Company construction project	161,350,000	39,316,089	17,584,827	(1,255,530)	55,645,386	99.1	99.1	Self-raised
Shihezi Chateau Construction Project	780,000,000	75,812,215	28,685,268	(76,391,865)	28,105,618	86.1	86.1	Self-raised
Ningxia Chateau Construction Project	414,150,000	131,515,731	29,906,086	(147,712,050)	13,709,767	97.9	97.9	Self-raised
Ding Luo Te Chateau project	192,400,000	73,517,357	13,363,563	(81,880,699)	5,000,221	93.3	93.3	Self-raised
Huanren factory construction project	31,000,000	26,261,424	3,241,401	-	29,502,825	95.2	95.2	Self-raised
		<u>1,698,802,693</u>	<u>827,966,672</u>	<u>(534,399,940)</u>	<u>1,992,369,425</u>			

There was no interest capitalized in construction in progress in 2015.

(3) As at 31 December 2015, there was no indication of impairment, therefore no provision was made.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Bearer biological assets

Bearer biological assets measured in cost method

<u>Planting</u>	<u>RMB</u>
I. Total original carrying amount	
1. Opening balance	161,384,261
2. Increase	
Self-cultivated	<u>42,183,596</u>
3. Closing balance	<u>203,567,857</u>
II. Total accumulated depreciation	
1. Opening balance	9,661,020
2. Increase	
Accrual	<u>1,708,554</u>
3. Closing balance	<u>11,369,574</u>
III. Total net carrying amount	
1. Closing net carrying amount	<u>192,198,283</u>
2. Opening net carrying amount	<u>151,723,241</u>

As at 31 December 2015, there is no biological asset with ownership restricted.

As at 31 December 2015, biological assets of the Group include mature bearer biological assets of RMB 59,391,773 (2014: RMB 23,758,058) and immature bearer biological assets of RMB 132,806,510. (2014: RMB 127,965,183)

As at 31 December 2015, there is no indication that biological assets may be impaired, and no provision was made.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Intangible assets

(1) Intangible asset

	<u>Land use rights</u> RMB	<u>Software use rights</u> RMB	<u>Trademark</u> RMB	<u>Total</u> RMB
I. Total original carrying amount				
1. Opening balance	459,367,374	37,017,024	-	496,384,398
2. Increase				
(1)Purchase	8,238,062	636,764	-	8,874,826
(2)Acquisition increase	-	-	15,237,653	15,237,653
3. Closing balance	<u>467,605,436</u>	<u>37,653,788</u>	<u>15,237,653</u>	<u>520,496,877</u>
II. Total accumulated depreciation				
1. Opening balance	36,283,156	7,150,048	-	43,433,204
2. Increase				
Additions	10,366,556	2,676,143	121,058	13,163,757
3. Closing balance	<u>46,649,712</u>	<u>9,826,191</u>	<u>121,058</u>	<u>56,596,961</u>
III. Total carrying amount				
1. Closing carrying amount	<u>420,955,724</u>	<u>27,827,597</u>	<u>15,116,595</u>	<u>463,899,916</u>
2. Opening carrying amount	<u>423,084,218</u>	<u>29,866,976</u>	<u>-</u>	<u>452,951,194</u>

As at 31 December 2015, there was no intangible asset with restricted ownership.

14. Goodwill

<u>Investee</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Etablissements Roullet Fransac (“Fransac Sales”)	13,112,525	-	-	13,112,525
Dicot Partners, S.L (“Dicot”)	-	92,391,901	-	92,391,901
Total	<u>13,112,525</u>	<u>92,391,901</u>	<u>-</u>	<u>105,504,426</u>

As mentioned in VII 1, the Group acquired Dicot in September 2015. To determine the fair value of assets and liabilities of Dicot, the Company has brought in the assets appraisal agency to proceed the evaluation. At the reporting date for 2015 financial statement, due to the fair value assessment has not accomplished, a provisional estimate fair value is recognised as the fair value of Dicot at the acquisition date in consolidated financial statement. The assessment will be finished within 12 month from the acquisition date. Therefore, by the end of the acquisition date, the Group has recognised provisional goodwill for the acquisition RMB 92,391,901.

The Group recognised goodwill of RMB 13,112,525 in regard to the acquisition of Fransac Sales, and of RMB 92,391,901 in regard to Dicot. The goodwill has been allocated to relevant asset groups to undertake impairment test.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Goodwill - continued

The recoverable amount of an asset group is determined based on the present value of expected future cash flows. Future cash flow projections are made based on financial budgets approved by management covering a 5-year period (projecting period) and presume that cash flows after the projecting period (subsequent period) remain unchanged. According to the corporate financial structure and local corporate income tax rate, discount rate used in calculating Fransac Sales and Dicot recoverable amount are 8.8% and 7.5% respectively. One key assumption in projecting future cash flows is the growth rate in projecting period, which is computed based on the expected growth rate of the industry. Growth rate of sales in subsequent period is 2%. Management of the Group believes that any reasonable changes in the above assumptions will not cause book value of the subsidiary exceeds its recoverable amount.

According to the assessment, the Group confirms that no impairment provision need to be made for goodwill in the reporting period.

15. Long-term prepaid expenses

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Amortization</u> RMB	<u>Closing balance</u> RMB
Land lease prepayments	60,810,188	-	(1,481,601)	59,328,587
Land requisition fee	47,506,370	-	(1,096,606)	46,409,764
Greening fee	40,596,058	4,730,175	(11,096,456)	34,229,777
Leasehold improvement	36,733,685	-	(12,776,295)	23,957,390
Others	16,265,304	532,670	(5,599,325)	11,198,649
	<u>201,911,605</u>	<u>5,262,845</u>	<u>(32,050,283)</u>	<u>175,124,167</u>

16. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities are not related to income tax of the same tax authorities of the same tax subjects, thus not presented with the net amount after netting.

(1) Recognised deferred tax assets not presented at the net amount after offset:

<u>Items</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Temporary differences</u> RMB	<u>Deferred tax assets</u> RMB	<u>Temporary differences</u> RMB	<u>Deferred tax assets</u> RMB
Unrealized profit from intra - company transactions	691,741,084	172,935,271	632,127,732	158,031,933
Unpaid bonus	133,017,447	33,254,362	95,326,160	23,831,540
Retirement benefit	16,147,369	4,036,842	15,936,065	3,984,016
Asset impairment provision	35,347,011	8,836,753	32,523,896	8,130,974
Deductable losses	265,793,269	66,448,318	176,375,554	44,093,889
Deferred income	81,078,284	16,895,110	88,423,710	16,114,471
	<u>1,223,124,464</u>	<u>302,406,656</u>	<u>1,040,713,117</u>	<u>254,186,823</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Deferred tax assets/liabilities - continued

(2) Recognised deferred tax liabilities not presented at the net amount after offset:

<u>Item</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Taxable temporary difference</u> RMB	<u>Deferred tax liability</u> RMB	<u>Taxable temporary difference</u> RMB	<u>Deferred tax liability</u> RMB
Revaluation surplus in business combination Not under common control	117,475,753	34,350,349	18,262,543	4,565,636

(3) Deferred tax assets and liabilities not recognized:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Deductible losses	41,690,051	1,363,422

(4) Deductible losses not recognized as deferred tax assets will expire in:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
2015	-	1,363,422
2020	41,690,051	-
	<u>41,690,051</u>	<u>1,363,422</u>

17. Other non-current assets

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Prepaid investment fund for Société Cilile Agricole du Château de Mirefleurs("Mirefleurs")	28,096,895	-
Receivable from transfer of biological assets	17,137,746	15,751,605
	<u>45,234,641</u>	<u>15,751,605</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Short-term borrowings

Categories of short-term borrowings

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Credit loans	640,290,788	300,000,000
Mortgaged loans	25,291,133	-
	<u>665,581,921</u>	<u>300,000,000</u>

As at 31 December 2015, short-term borrowings detail is as follows:

	Loans amount	Exchange rate	<u>RMB</u>	Nature of interest	<u>Interest rate</u> %
Credit loans (RMB)	498,000,000	1.0000	498,000,000	Floating	4.14%~5.40%
Credit loans (EUR)	2,875,797	7.0952	20,404,354	Fixed	2.14%~4.00%
Credit loans (EUR)	2,619,938	7.0952	18,588,987	Floating	1.55%~2.50%
Credit loans (HKD)	123,296,070	0.8378	103,297,447	Floating	3M HIBOR+1.75%
Mortgaged loans (EUR)	3,564,541	7.0952	25,291,133	Fixed	6.14%
			<u>665,581,921</u>		

As at 31 December 2015, mortgaged loans are factoring of accounts receivables from Banco de Sabadell, S.A. etc. EUR 3,365,765 (translated as RMB 23,880,775), mortgage loans with fixed assets EUR 1,341,693 (translated as RMB 9,519,579), as collateral from Banco Sabadell, S.A. in EUR 198,776 (translated as RMB 1,410,358) by Dicot.

19. Notes payables

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	29,000,000	10,000,000

As at 31 December 2015, there was no due notes payable unpaid (31 December 2014: Nil). Notes payables are all due within one year.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Accounts payable

The aging analysis of accounts payable are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	567,791,049	357,811,822
1 to 2 years	1,487,319	-
	<u>569,278,368</u>	<u>357,811,822</u>

21. Advances from customers

The aging analysis of advances from customers are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	229,993,684	208,769,108
1 to 2 years	286,001	1,898,868
2 to 3 years	530,799	4,459,622
Over 3 years	3,756,020	-
	<u>234,566,504</u>	<u>215,127,598</u>

22. Employee benefit payable

(1) Employee benefit payable

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Short-term payroll	142,954,964	394,695,816	(363,588,874)	174,061,906
Post-demission benefits				
- predetermined provision plan	57,563	31,147,810	(31,175,197)	30,176
Termination benefits	15,936,065	5,692,518	(5,481,214)	16,147,369
	<u>158,948,592</u>	<u>431,536,144</u>	<u>(400,245,285)</u>	<u>190,239,451</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Employee benefit payable - continued

(2) Short-term payroll

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Salaries and bonus	139,917,954	357,468,679	(326,666,178)	170,720,455
Staff benefit	5,968	11,858,825	(11,685,715)	179,078
Staff welfare	161,489	13,284,150	(13,177,620)	268,019
Includes:				
Medical insurance	158,487	11,154,228	(11,044,696)	268,019
Injury insurance	1,572	1,175,925	(1,177,497)	-
Maternity insurance	1,430	953,997	(955,427)	-
Housing fund	70,236	8,855,073	(8,877,991)	47,318
Union fee and education fee	2,799,317	3,229,089	(3,181,370)	2,847,036
	<u>142,954,964</u>	<u>394,695,816</u>	<u>(363,588,874)</u>	<u>174,061,906</u>

(3) Predetermined provision plan

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Pension	55,963	29,499,285	(29,525,253)	29,995
Unemployment insurance	1,600	1,648,525	(1,649,944)	181
	<u>57,563</u>	<u>31,147,810</u>	<u>(31,175,197)</u>	<u>30,176</u>

The Group participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Group pays pension and unemployment insurance each month on the basis of 14%-21% and 1%-2% last period salary respectively. Apart from these monthly expenses, the Group does not bear any further payment obligation. This year the Group should pay RMB 29,499,285 and RMB 1,648,525 (2014: RMB 29,060,721 and RMB 1,549,044) respectively into pension insurance and unemployment insurance. As at 31 December 2015, the Group has unpaid pension and unemployment insurance of RMB 29,995 and RMB 181 respectively (31 December 2014: RMB 55,963 and RMB 1,600), which is due to the pension insurance and unemployment insurance plan at the end of the reporting period. These payments have been paid after the end of the reporting period.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

23. Taxes payable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Value added tax	(45,821,559)	(62,755,555)
Consumption tax	18,638,837	18,849,955
Business tax	509,491	1,005,135
Corporation income tax	49,020,665	109,836,980
Urban land use tax	2,812,536	1,519,318
Individual income tax	6,587,254	6,644,281
City construction tax	4,197,401	4,831,936
Property tax	855,668	898,914
Others	4,484,814	6,673,084
	<u>41,285,107</u>	<u>87,504,048</u>

24. Deferred income

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Government grants		
Current liabilities	11,241,873	12,398,718
Non-current liabilities	69,836,411	76,024,992
	<u>81,078,284</u>	<u>88,423,710</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Deferred income - continued

Government grants

	<u>Opening</u> RMB	<u>Addition</u> RMB	<u>Recognized in</u> <u>non-operating income</u> RMB	<u>Closing</u> RMB	<u>Related to</u> <u>Assets/Income</u>
Miyun Propaganda Department transfer	3,555,780	-	(888,945)	2,666,835	Assets
Wine base liquor brewage project	9,044,116	-	(1,434,873)	7,609,243	Assets
Shihezi chateau project funds	16,116,600	-	(2,280,000)	13,836,600	Assets
Industry revitalization and technology reconstruction specific funds	21,330,000	-	(1,422,000)	19,908,000	Assets
Ningxia industry revitalization and technology reconstruction funds	11,065,000	-	(3,389,000)	7,676,000	Assets
Wine grape subsidies	470,000	-	-	470,000	Income
Modern agriculture grape production development subsidies	324,000	-	-	324,000	Income
WuYouYiXin industrial cluster specific funds	120,000	-	(60,000)	60,000	Assets
Agricultural technology subsidies	632,400	312,000	(122,400)	822,000	Income
(Huanren) wine production construction funds	-	4,000,000	-	4,000,000	Assets
Wine electronic tracking system specific funds	5,193,474	-	(667,055)	4,526,419	Assets
Wine industry specific funds	930,000	-	-	930,000	Assets
Shandong Peninsula Blue Economic Area construction funds	10,000,000	-	-	10,000,000	Assets
863 Program subsidy funds for scientific research	62,900	-	(3,010)	59,890	Income
Information system construction project technology funds	5,220,000	-	(580,000)	4,640,000	Assets
Integration projects subsidies	100,000	-	(71,200)	28,800	Income
Cross-border e-Business projects subsidies	2,179,440	143,600	(662,543)	1,660,497	Income
Red wine phenolics research projects funds	-	300,000	-	300,000	Income
Grape base construction project	2,080,000	-	(520,000)	1,560,000	Assets
Total	88,423,710	4,755,600	(12,101,026)	81,078,284	
Less: Non-current liabilities due within one year	12,398,718			11,241,873	
Other non-current liabilities	76,024,992			69,836,411	

As at 31 December 2015, the Group recognise current liability for deferred income to be accounted in profit or loss within one year, and recognise non-current liability for deferred income to be accounted in profit or loss over one year.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

25. Other payables

(1) Natures of other payables are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Deposit from distributors	114,475,163	134,470,408
Payables for equipment and construction	92,580,929	90,857,839
Payables for transportation	29,713,956	24,388,114
Royalty fee	86,001,287	77,809,993
Advertising costs	76,818,144	43,488,770
Capital increment from minority interest (Note)	22,522,636	22,522,636
Employee deposit	16,078,904	10,005,000
Deposits from suppliers	5,644,909	2,263,984
Payables for contracting fee	32,936,900	27,132,371
Others	32,453,567	36,865,202
	<u>509,226,395</u>	<u>469,804,317</u>

(2) Description of significant other payables aged more than one year

<u>Company</u>	<u>Amount</u> RMB	<u>Reasons</u>
Beijing Qinglang agriculture science and technology development limited company	18,630,431	unfinished capital increment(Note)
Beijing Qinglang agriculture science and technology development limited company	12,092,414	Payables for contracting fee
Yantai De'an Investment Company Limited	3,892,205	unfinished capital increment (Note)
Yantai De'an Investment Company Limited	4,533,932	Payables for contracting fee
	<u>39,148,982</u>	

Note: unfinished capital increment is the investment fund from minority shareholders for the subsidiary of the Company. As at 31 December 2015, capital increment procedures have not finished.

26. Non-current liabilities due within one year

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Long-term borrowings due within one year	<u>156,335,647</u>	<u>-</u>

As at 31 December 2015, Long-term borrowings due within one year refers to Note IV 27

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Long-term borrowings

Categories of long-term borrowings

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Credit loan	66,868,836	89,467,200
Mortgaged loan	4,817,793	-
Secured loan	-	119,912,800
	<u>71,686,629</u>	<u>209,380,000</u>

As at 31 December 2015, loans detail is as follows:

	<u>Loans amount</u>	<u>Exchange rate</u>	<u>RMB</u>	<u>Nature of interest</u>	<u>Interest rate</u> %	<u>Due within one year</u>	<u>Due over one year</u>
Credit loans (EUR)	190,150	7.0952	1,349,156	Fixed	3.80%	1,064,090	285,066
Credit loans (EUR)	13,143,957	7.0952	93,259,001	Floating	1.75%~5.84%	26,675,231	66,583,770
Mortgaged loans (EUR)	855,299	7.0952	6,068,519	Fixed	4.50%~6.14%	1,250,726	4,817,793
Secured loan (HKD)	152,000,000	0.8378	127,345,600	Floating	3M HIBOR+1.95%	127,345,600	-
			<u>228,022,276</u>			<u>156,335,647</u>	<u>71,686,629</u>

As at 31 December 2015, mortgaged loans are Dicot using fixed assets EUR 1,252,314 (translated as RMB 8,885,421) as collateral for loans from Popular Español, S.A. and Banco Cajamar in total EUR 855,299 (translated as RMB 6,068,519).

As at 31 December 2015, secured loan is borrowed by the Company from Qingdao Branch of HSBC with the bank deposit of RMB 125,000,000 as custody. The borrowing amount is HKD 152,000,000 (translated as RMB 127,345,600) with quarterly paid interest rate of the 3 month Hong Kong interbank offered rates plus 195 basis points and borrowing period from 4 July 2014 to 3 July 2016. As at 31 December 2015, the interest rate of secured loan is 2.35%.

28. Other non-current liabilities

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Employee benefit	4,047,476	3,998,352

As at 31 December 2015, employee benefit represents deposit from bonus accrued for managers and above. According to the bonus payment schedule of 2015, the bonus is expected to be paid during 2017 to 2019.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Share capital

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Unrestricted shares				
A shares	453,460,800	-	-	453,460,800
B shares	232,003,200	-	-	232,003,200
	<u>685,464,000</u>	<u>-</u>	<u>-</u>	<u>685,464,000</u>
Total of unrestricted shares and total shares	685,464,000	-	-	685,464,000

30. Capital reserve

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Share premium	557,222,454	2,816,399	-	560,038,853
Other	5,916,588	-	-	5,916,588
Total	<u>563,139,042</u>	<u>2,816,399</u>	<u>-</u>	<u>565,955,441</u>

In April 2015, the Company's subsidiary, Beijing Changyu AFIP Wine Chateau Co., Ltd ("Beijing Chateau") brought Beijing AFIP Tourism and Culture Company ("AFIP Tourism") 30% shareholding from Beijing Qinglang agriculture science and technology development Co., Ltd and Yantai De'an Investment Co., Ltd, with RMB 150,000 cash consideration. The difference between consideration and book value of non-controlling interest RMB 2,816,399 is recognised in capital reserve. After the purchase, Beijing Chateau holds 100% shareholding of AFIP Tourism.

31. Other comprehensive income

Items	Opening balance	2015					Closing balance
		Before-tax amount	Less: last year other comprehensive income in P/L current year	Less: tax expense	Post-tax attributable to parent	Post-tax attributable to NCI	
Other comprehensive income to be reclassified to profit and loss	(2,803,271)	(7,741,776)	-	-	(7,639,241)	(102,535)	(10,442,512)
Foreign currency statement translation difference	(2,803,271)	(7,741,776)	-	-	(7,639,241)	(102,535)	(10,442,512)

32. Surplus reserve

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Statutory surplus reserve	342,732,000	-	-	342,732,000
	<u>342,732,000</u>	<u>-</u>	<u>-</u>	<u>342,732,000</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Surplus reserve - continued

In accordance with the Company Law of the People's Republic of China and the Articles of Association of the Company, the Company is required to appropriate 10% of the net profit to the statutory surplus reserve until the accumulated balance of the statutory surplus reserve reaches 50% of the registered share capital. The Company does not appropriate net profit to the surplus reserve in 2015.

The Company can appropriate discretionary surplus reserve after appropriation of the statutory surplus reserve. Discretionary surplus reserve can be utilized to offset the deficit or increase the share capital after approval.

33. Retained earnings

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Retained earnings brought forward	5,251,920,374	4,616,944,663
Add: profit attributable to shareholders of the Company	1,030,073,860	977,707,711
Less: Dividends paid in respect prior year's profit	<u>(301,604,160)</u>	<u>(342,732,000)</u>
Retained earnings carried forward	<u>5,980,390,074</u>	<u>5,251,920,374</u>

(1) Appropriation to surplus reserve by subsidiaries

As at 31 December 2015, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounting to RMB 54,946,701 (31 December 2014: RMB 49,484,644).

(2) Cash dividends approved by general meeting

According to the annual general meeting on 22 May 2015, dividends distribution plan has been made. On the basis of 685,464,000 issued share capital, RMB 4.4 (including taxes) for every 10 shares was distributed to shareholders, in total RMB 301,604,160 cash dividends.

(3) Profit distribution decided after the balance sheet date

According to a proposal of the board of directors approved on 27 April 2016, on the basis of 685,464,000 issued shares in 2015, cash dividends of RMB 5.0 (including taxes) for every 10 share will be distributed to all the shareholders. The aggregate amount of cash dividend is RMB 342,732,000. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

34. Operating income and costs

Operating income is analysed as follows:

	<u>2015</u> RMB	<u>2014</u> RMB
Principal operating income	4,589,025,348	4,113,169,270
Other operating income	60,697,020	43,558,255
	<u>4,649,722,368</u>	<u>4,156,727,525</u>

Operating cost is analysed as follows:

	<u>2015</u> RMB	<u>2014</u> RMB
Principal operating cost	1,484,994,084	1,354,777,577
Other operating cost	27,508,951	17,667,035
	<u>1,512,503,035</u>	<u>1,372,444,612</u>

The operating income for the Group is mainly from the sales of wine, brandy and sparkling wine. In 2015, Over 98% (2014: over 99%) of the sales generated in PRC.

35. Taxes and surcharges

	<u>2015</u> RMB	<u>2014</u> RMB
Consumption tax	160,472,712	171,424,114
Business Tax	3,613,680	2,853,114
City construction tax	50,491,173	51,051,930
Education fee and surcharges	36,625,254	36,830,754
Others	6,810,705	7,286,862
	<u>258,013,524</u>	<u>269,446,774</u>

For detail standards of tax rate please refer to Notes V.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

36. Selling expenses

	<u>2015</u> RMB	<u>2014</u> RMB
Advertising costs	547,276,390	466,868,778
Freight	124,662,391	120,998,488
Salary and employee benefit	237,132,890	183,841,797
Trademark fee	83,734,976	77,809,993
Warehouse leasing expenses	70,352,917	50,816,255
Travelling expenses	25,946,093	20,986,441
Depreciation cost	18,866,370	9,123,380
Labor fee	25,367,133	22,283,617
Renovation costs	19,140,522	1,835,863
General expense	6,794,673	5,079,767
Logistics service charge	6,644,156	7,033,039
Packing cost	5,090,563	2,430,519
Property management fee	4,487,152	3,421,047
Low-value consumable amortization	3,627,241	9,158,438
Security and sanitation fee	3,617,320	1,482,628
Sales commissions	3,417,859	2,926,165
Others	24,968,517	19,913,149
	<u>1,211,127,163</u>	<u>1,006,009,364</u>

37. General and administrative expense

	<u>2015</u> RMB	<u>2014</u> RMB
Salary and employee benefit	59,832,416	42,752,029
Depreciation	38,123,017	33,086,559
Insurance fee	30,645,834	28,953,319
Property tax, stamp duty and other taxes	28,441,366	13,585,138
Contracting fee	19,144,698	16,539,989
Administrative expenses	16,772,528	14,472,830
Maintenance fee	15,686,214	16,559,436
Virescence fee	15,154,393	16,207,197
Service fee	14,878,018	4,158,814
Amortization	12,129,490	10,961,304
Leasing expenses	9,190,948	11,063,572
Cleaning fee	6,573,075	6,860,665
Entertainment fee	5,660,174	3,786,968
Travelling expenses	5,018,296	5,290,745
Technology development fee	3,006,614	3,057,225
Others	33,711,328	29,644,228
	<u>313,968,409</u>	<u>256,980,018</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

38. Loss on impairment of assets

	<u>2015</u> RMB	<u>2014</u> RMB
Reversal of impairment loss	-	(192,908)
Inventory impairment	2,823,115	2,188,785
	<u>2,823,115</u>	<u>1,995,877</u>

39. Financial income

	<u>2015</u> RMB	<u>2014</u> RMB
Interest income	(16,778,280)	(23,614,179)
Exchange loss(gain)	4,349,534	(7,031,076)
Less: Interest expenses	21,957,762	12,298,953
Bank charges	1,758,669	1,089,581
	<u>11,287,685</u>	<u>(17,256,721)</u>

40. Non-operation income

	<u>2015</u> RMB	<u>2014</u> RMB	Recognized in extraordinary profit and loss RMB
Gains on disposal of non-current assets	192,945	121,113	192,945
Including: gain on disposal of plant property and equipment	192,945	121,113	192,945
Government grants	38,952,919	40,545,714	38,952,919
Penalty income	7,246,157	637,531	7,246,157
Others	3,673,296	2,692,047	3,673,296
	<u>50,065,317</u>	<u>43,996,405</u>	<u>50,065,317</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Non-operation income - continued

Government grants recognized in the income statement is as follows:

	<u>2015</u> RMB	<u>2014</u> RMB	Assets/income <u>related</u>
Major projects support fund	7,134,819	6,878,819	Assets related
Small and medium enterprises support fund	4,107,054	5,010,153	Assets related
Tax refund	17,833,465	18,259,690	Income related
Others	9,877,581	10,397,052	Income related
	<u>38,952,919</u>	<u>40,545,714</u>	

41. Non-operation expenses

	<u>2015</u> RMB	<u>2014</u> RMB	Recognized in extraordinary <u>profit and loss</u> RMB
Loss on disposal of non-current assets	56,884	5,207,658	56,884
Including: losses from disposal of fixed assets	56,884	114,390	56,884
losses from disposal of biological assets	-	5,093,268	-
Compensation and penalty loss	1,102,893	705,333	1,102,893
Donation	288,009	434,352	288,009
Others	457,103	2,022,906	457,103
	<u>1,904,889</u>	<u>8,370,249</u>	<u>1,904,889</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

42. Income tax

	<u>2015</u> RMB	<u>2014</u> RMB
Current income tax	407,380,757	421,450,258
Deferred income tax	(49,496,522)	(96,424,212)
	<u>357,884,235</u>	<u>325,026,046</u>

Reconciliation between income tax expenses and profits is as follows:

	<u>2015</u> RMB	<u>2014</u> RMB
Profit before tax	1,388,159,865	1,302,733,757
Income tax expense at statutory tax rate 25% (2014:25%)	347,039,966	325,683,439
Effect of different tax rates applied by certain subsidiaries	(3,509,042)	(1,356,542)
Unrecognised deductible loss	10,422,513	-
Non-deductible expenses	3,930,798	699,149
Income tax expenses at the Group's effective tax rate	<u>357,884,235</u>	<u>325,026,046</u>

43. Basic and dilutive earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary shareholders of the Company during the year and the weighted average number of outstanding ordinary shares.

	<u>2015</u> RMB	<u>2014</u> RMB
Earnings		
Consolidated profit attributable to ordinary shareholders of the Company	<u>1,030,073,860</u>	<u>977,707,711</u>
Shares		
Weighted average number of outstanding ordinary shares	<u>685,464,000</u>	<u>685,464,000</u>
Basic earnings per share	<u>1.50</u>	<u>1.43</u>

The Company does not have potential dilutive ordinary shares.

From the balance sheet date to the date of approval of this report, there are no subsequent events which would affect the numbers of the weighted average number of outstanding of ordinary shares.

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Notes to consolidated cash flow statement

(1) Cash received relating to other operating activities:

	<u>2015</u> RMB	<u>2014</u> RMB
Government grants	9,774,028	22,286,024
Penalty income	7,246,157	637,531
Others	5,352,831	1,619,992
	<u>22,373,016</u>	<u>24,543,547</u>

(2) Cash paid relating to other operating activities:

	<u>2015</u> RMB	<u>2014</u> RMB
Selling expenses	949,202,920	726,232,000
General and administrative expenses	110,003,182	107,585,895
Note payable deposit	20,000,000	4,034,004
Others	4,181,035	7,096,689
	<u>1,083,387,137</u>	<u>844,948,588</u>

(3) Cash paid for the purchase subsidiaries and other equity:

	<u>2015</u> RMB	<u>2014</u> RMB
Cash paid for acquisition of Dicot	190,148,125	-
Less: cash and cash equivalents for Dicot at acquisition date	4,902,074	-
Prepaid investment fund for Mirefleurs	28,096,895	-
	<u>213,342,946</u>	<u>-</u>

(4) Cash paid relating to other financing activities:

	<u>2015</u> RMB	<u>2014</u> RMB
Pledged security of short-term borrowing	-	125,000,000
Development Zone Trading pledged deposit	26,100,000	-
Canada Oros investment fund return	2,050,000	-
	<u>28,150,000</u>	<u>125,000,000</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Supplementary information to consolidated cash flow statement

(1) Supplementary information to consolidated cash flow statement

	<u>2015</u> RMB	<u>2014</u> RMB
Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	1,030,275,630	977,707,711
Add: Loss for impairment of assets	2,823,115	1,995,877
Depreciation of fixed assets	163,322,504	127,149,785
Amortization of intangible assets	13,163,757	11,396,496
Amortization of Biological assets	1,708,554	865,855
Amortization of long-term prepaid expenses	32,050,283	15,799,878
Loss/(gain) on disposal of property plant and equipment	(136,061)	5,086,545
Finance expense	6,516,142	(7,012,502)
Increase in deferred tax assets	(48,219,833)	(95,653,733)
Decrease in deferred tax liabilities	(1,276,689)	(770,479)
Decrease in inventories	3,921,192	31,552,254
Decrease/ (increase) in operating receivables	(175,316,875)	48,497,684
Increase/ (decrease) in operating payables	114,214,648	(46,532,075)
Net cash flows from operating activities	<u>1,143,046,367</u>	<u>1,070,083,296</u>

(2) Cash and cash equivalent

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Closing balance of cash and bank	1,285,362,414	1,145,365,071
Less:		
restricted bank deposits	2,643,181	2,643,519
restricted other monetary funds	181,477,572	135,004,018
deposit with a period of over three months	9,000,000	47,245,260
Closing balance of cash and cash equivalents	<u>1,092,241,661</u>	<u>960,472,274</u>

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Supplementary information to consolidated cash flow statement - continued

(2) Cash and cash equivalent - continued

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	1,092,241,661	960,472,274
Including: Cash on hand	179,488	101,660
Bank deposits on demand	<u>1,092,062,173</u>	<u>960,370,614</u>
Closing balance of cash and cash equivalents	<u>1,092,241,661</u>	<u>960,472,274</u>

46. Assets with restriction of ownership

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash and bank	184,120,753	137,647,537
Account receivables	23,880,775	-
Fixed assets	<u>18,405,000</u>	<u>-</u>

As at 31 December 2015, cash and bank balances with restriction of ownership include: security of RMB 125,000,000 pledged for a short-term borrowing from HSBC of HKD 152,000,000 (translated as RMB 127,345,600); R&D Centre pledged deposit of RMB 26,100,000; refundable deposit for notes payable of Shihezi Chateau of RMB20,000,000, Xinjiang Tianzhu of RMB 7,000,000; Xinjiang Trading of RMB 3,000,000; the Group's housing fund of RMB 2,643,519; deposit of RMB 370,000 for letter of credit and company cards deposit guarantee of RMB 7,572.

As at 31 December 2015, the restricted accounts receivables is EUR 3,365,765(translated as RMB 23,880,775) that Dicot conducted its accounts receivables for factoring from Banco de Sabadell, S.A. etc.

As at 31 December 2015, the restricted fixed assets is Dicot mortgaged fixed assets for bank borrowings including fixed assets EUR 1,341,693 (translated as RMB 9,519,579) for short-term borrowings and EUR 1,252,314(translated as RMB 8,885,421) for long-term borrowings. Bank borrowings refers to Note IV 18 and Note IV 27

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Foreign monetary items

(1) Foreign monetary items

The foreign monetary items located within China are as follows:

<u>Items</u>	<u>Closing foreign currency balance</u>	<u>Exchange rate</u>	<u>Closing translated RMB balance</u>
Cash and bank			
EUR	21,387,251	7.0952	151,746,825
HKD	115,513	0.8378	96,777
	<hr/>	<hr/>	<hr/>
Short-term borrowings			
HKD	123,296,070	0.8378	103,297,447
	<hr/>	<hr/>	<hr/>
Long-term borrowings due within one year			
HKD	152,000,000	0.8378	127,345,600
	<hr/>	<hr/>	<hr/>
Long-term borrowings			
EUR	8,000,000	7.0952	56,761,600
	<hr/>	<hr/>	<hr/>

(2) Overseas business entities

The Company's overseas subsidiaries determine bookkeeping currency based on the primary economic environment. The bookkeeping base currency of Dicot and Francs Champs Participations SAS ("Francs Champs") are all in Euro, and Dicot and Francs Champs have no foreign monetary items at the year end.

VII. CHANGE IN CONSOLIDATION SCOPE

1. Business combination under different control

(1) Business combination under different control in current period

Name of acquisition company	Equity acquisition date	Equity acquisition date	Equity acquisition ratio (%)	Equity acquisition method	Acquisition date	Basis of acquisition date	Revenue from acquisition date to year end	Net profit from acquisition date to year end
Dicot	30 Sept 2015	EUR 26,250,000	75	Purchase	30 Sept 2015	Finish payment and acquire equity	RMB 76,202,513	RMB 807,079

Other detail information:

According to the “Equity Transfer Agreement” signed between the Company and Comercial Gatar, S.L. (“CG S.L.”) Gestión Ganuza, S.L. (“GG S.L.”) at 9 Jul 2015. The company paid in consideration EUR 26,250,000(translated as RMB 190,148,125) to CG S.L. and GG S.L. for 37.5% and 37.5% shareholding of Dicot respectively.

The Company paid consideration in September 2015, acquired 75% of Dicot, arranged directors into the board in accordance with the company’s article, and obtained the financial and operational control of Dicot.

(2) Consideration and Goodwill

Consideration

	<u>Dicot</u> RMB
Cash	190,148,125
Total consideration	190,148,125
Less: acquired provisional value of net assets	<u>97,756,224</u>
Goodwill	<u>92,391,901</u>

VII. CHANGE IN CONSOLIDATION SCOPE - continued

1. Business combination under different control - continued

(3) Recognised assets and liabilities of mergee at acquisition date

<u>date</u>	Dicot	
	<u>Provisional value at acquisition date</u>	<u>Book value at acquisition</u>
	RMB	RMB
Assets		
Cash and bank	4,902,074	4,902,074
Accounts receivable	49,963,808	49,963,808
Other receivables	1,073,247	1,073,247
	180,220,873	176,311,076
Other current assets	1,853,758	1,853,758
Available-for-sale financial assets	428,062	428,062
Fixed assets	143,747,812	57,023,364
Intangible assets	15,237,653	2,333,891
Total assets	<u>397,427,287</u>	<u>293,889,280</u>
Liabilities		
Accounts payable	119,276,204	119,276,204
Other payables	9,118,934	9,118,934
Short-term borrowings	88,954,565	88,954,565
Long-term borrowings	18,674,550	18,674,550
Deferred tax liabilities	31,061,402	-
Total liabilities	<u>267,085,655</u>	<u>236,024,253</u>
Net assets	130,341,632	57,865,027
Less: Non-controlling interests	<u>32,585,408</u>	<u>14,466,257</u>
Acquired net assets	<u>97,756,224</u>	<u>43,398,770</u>

(4) Relevant explanation for unsettled fair value of recognised assets and liabilities of merge and consideration at the acquisition date and at the year end

To determine the fair value of assets and liabilities of Dicot, the Company has brought in the assets appraisal agency to proceed the evaluation. Because at the reporting date for 2015 financial statement, fair value assessment has not finished, a provisional estimate fair value is recognised as the fair value of Dicot at the acquisition date in consolidated financial statement. And provisional goodwill is recognised in RMB 92,391,901. The assessment will be finished within 12 month from the acquisition date. Assets and liabilities listed above will be adjust (if it is necessary) according to the assessment report.

VII. CHANGE IN CONSOLIDATION SCOPE - continued**2. Change in consolidation scope due to other reasons (new established subsidiaries)**

<u>Name</u>	<u>Place and date of registration</u>	<u>Legal representative</u>	<u>Business nature</u>	<u>Registered capital</u>	<u>Principal activities</u>	<u>Incorporate code</u>
Subsidiaries acquired by establishment:						
Lanzhou Changyu Pioneer Sales Co. Ltd ("Lanzhou Pioneer")	26 March 2015 Lanzhou Gansu, China	Zhang, Pengfei	Sales	RMB 500,000	Wholesale of pre-packed foods	32541076-1
Yantai Fulangduo Import Wine Sales Co. Ltd ("Yantai Fulangduo")	22 January 2015 Yantai Shandong, China	Zhou, Hongjiang	Sales	RMB 1,000,000	Wholesale and retail pre-packed foods	32846634-9
Hefei Changyu Pioneer Sales Co. Ltd ("Hefei Pioneer") *	19 August 2014 Hefei, Anhui, China	Wang, Xiufeng	Sales	RMB 500,000	Wholesale and retail pre-packed and unpacked foods	39550778-8
Urumchi Changyu Pioneer Sales Co. Ltd ("Urumchi Pioneer") *	15 August 2014 Urumchi Xinjiang, China	Zhao, Changchun	Sales	RMB 500,000	Wholesale of pre-packed foods	31342623-X
Guizhou Changyu Pioneer Sales Co. Ltd ("Guizhou Pioneer")	2 February 2015 Guiyang Guizhou, China	Sun xuefeng	Sales	RMB 500,000	Wholesale of pre-packed foods	32213485-3

* As at 31 December 2014, these subsidiaries had completed registration but paid share capital in 2015, therefore they are included in the consolidation scope of the Group in 2015.

VIII. INTERESTS IN OTHER ENTITIES

1. Structure of the Group

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Xinjiang Tianzhuo (a)	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	60%	-	Subsidiary acquired in business combination under non-common control
Fransac Sales	Cognac, France	Cognac, France	Trading	-	100%	Subsidiary acquired in business combination under non-common control
Dicot	Navarra, Spain	Navarra, Spain	Sales	75%	-	Subsidiary acquired in business combination under non-common control
Beijing Changyu Sales and distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Sales	100%	-	Subsidiaries acquired by establishment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu-Castel Wine Chateau Co., Ltd ("Changyu Chateau") (b)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	70%	-	Subsidiaries acquired by establishment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	100%	-	Subsidiaries acquired by establishment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel") (c)	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	39%	10%	Subsidiaries acquired by establishment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	10%	90%	Subsidiaries acquired by establishment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Sales	10%	90%	Subsidiaries acquired by establishment
Shanghai Changyu Sales and distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Sales	30%	70%	Subsidiaries acquired by establishment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Chateau (d)	Beijing, China	Beijing, China	Manufacturing	70%	-	Subsidiaries acquired by establishment
Yantai ("Beijing Chateau") Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	90%	10%	Subsidiaries acquired by establishment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	70%	30%	Subsidiaries acquired by establishment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Ningxia Growing	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Planting	100%	-	Subsidiaries acquired by establishment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Sales	100%	-	Subsidiaries acquired by establishment
Liaoning Changyu Ice Wine Chateau Co., Ltd. ("Ice Chateau") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	51%	-	Subsidiaries acquired by establishment
Yantai Development Zone Changyu Trading Co., Ltd ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing")	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Sales	-	100%	Subsidiaries acquired by establishment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Service	-	100%	Subsidiaries acquired by establishment
AFIP Tourism	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	-	100%	Subsidiaries acquired by establishment
Ningxia Wine Co. Ltd. ("Ningxia Wine")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Yantai Changyu DingLuoTe Chateau. ("Ding Luo Te Chateau")	Yantai, Shandong, China	Yantai, Shandong, China	Retail and Sales	65%	35%	Subsidiaries acquired by establishment
Qing Tong Xia Changyu Wine Marketing Ltd ("Qing Tong Xia Sales")	Qing Tong Xia, Ningxia, China	Qing Tong Xia, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Shihezi Chateau	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Ningxia Moser 15th Changyu Wine Chateau Co., Ltd. ("Ningxia Chateau")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Shanxi Changyu Rina Castle Chateau Co., Ltd. ("Chang'an Chateau")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
R&D Centre	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	100%	-	Subsidiaries acquired by establishment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi Liaoning, China	Benxi Liaoning, China	Wine production	100%	-	Subsidiaries acquired by establishment
Xinjiang Sales	Shihezi Xinjiang, China	Shihezi Xinjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Xinjiang Changyu Winery Co., Ltd ("Xinjiang Winery")	Shihezi Xinjiang, China	Shihezi Xinjiang, China	Manufacturing	-	100%	Subsidiaries acquired by establishment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Shanxi Changyu Rina Wine Sales Co., Ltd ("Shanxi Sales")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai, Shandong, China	Penglai, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Francs Champs	Cognac, France	Cognac, France	Investment and trading	100%	-	Subsidiaries acquired by establishment
Lanzhou Changyu Wine Sales Co. Ltd ("Lanzhou Sales")	Lanzhou, Gansu, China	Lanzhou, Gansu, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Retailing Co. Ltd ("Beijing Retailing")	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Tianjin Changyu Pioneer Sales Co. Ltd ("Tianjin Pioneer")	Tianjin, China	Tianjin, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Changyu Pioneer Sales Co. Ltd ("Fuzhou Pioneer")	Fuzhou, Fujian, China	Fuzhou, Fujian, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanjing Changyu Pioneer Sales Co. Ltd ("Nanjing Pioneer")	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Sales	-	100%	Subsidiaries acquired by establishment
Xianyang Changyu Pioneer Sales Co. Ltd ("Xianyang Pioneer")	Xianyang, Shanxi, China	Xianyang, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shenyang Changyu Pioneer Sales Co. Ltd ("Shenyang Pioneer")	Shenyang, Liaoning, China	Shenyang, Liaoning, China	Sales	-	100%	Subsidiaries acquired by establishment
Jinan Changyu Pioneer Sales Co. Ltd ("Jinan Pioneer")	Jinan, Shandong, China	Jinan, Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Shanghai Changyu Pioneer Sales Co. Ltd ("Shanghai Pioneer")	Shanghai, China	Shanghai, China	Sales	-	100%	Subsidiaries acquired by establishment
Fuzhou Changyu Pioneer Sales Co. Ltd ("Fuzhou Pioneer")	Fuzhou, Jiangxi, China	Fuzhou, Jiangxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Shijiazhuang Changyu Pioneer Sales Co. Ltd ("Shijiazhuang Pioneer")	Shijiazhuang, Hebei, China	Shijiazhuang, Hebei, China	Sales	-	100%	Subsidiaries acquired by establishment
Hangzhou Yuzefeng Sales Co. Ltd ("Hangzhou Yuzefeng")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Jilin Changyu Pioneer Sales Co. Ltd ("Jilin Pioneer")	Changchun, Jilin, China	Changchun, Jilin, China	Sales	-	100%	Subsidiaries acquired by establishment
Beijing Changyu Pioneer Sales Co. Ltd ("Beijing Pioneer")	Beijing, China	Beijing, China	Sales	-	100%	Subsidiaries acquired by establishment
Haerbin Changyu Pioneer Sales Co. Ltd ("Haerbin Pioneer")	Haerbin, Heilongjiang, China	Haerbin, Heilongjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Hunan Changyu Pioneer Sales Co. Ltd ("Hunan Pioneer")	Changsha, Hunan, China	Changsha, Hunan, China	Sales	-	100%	Subsidiaries acquired by establishment
Yinchuan Changyu Pioneer Sales Co. Ltd ("Yinchuan Pioneer")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Sales	-	100%	Subsidiaries acquired by establishment
Kunming Changyu Pioneer Sales Co. Ltd ("Kunming Pioneer")	Kunming, Yunnan, China	Kunming, Yunnan, China	Sales	-	100%	Subsidiaries acquired by establishment
Chongqing Changyu Pioneer Sales Co. Ltd ("Chongqing Pioneer")	Chongqing, China	Chongqing, China	Sales	-	100%	Subsidiaries acquired by establishment
Zhengzhou Changyu Pioneer Sales Co. Ltd ("Zhengzhou Pioneer")	Zhengzhou, Henan, China	Zhengzhou, Henan, China	Sales	-	100%	Subsidiaries acquired by establishment
Wuhan Changyu Pioneer Sales Co. Ltd ("Wuhan Pioneer")	Wuhan, Hubei, China	Wuhan, Hubei, China	Sales	-	100%	Subsidiaries acquired by establishment

VIII. CHANGE IN CONSOLIDATION SCOPE - continued

1. Structure of the Group - continued

Name	Address	Place of registration	Nature	Equity interest owned by the company		Acquisition method
				Direct	Indirect	
Wuhan Changyu Pioneer Sales Co. Ltd ("Wuhan Pioneer")	Wuhan, Hubei, China	Wuhan, Hubei, China	Sales	-	100%	Subsidiaries acquired by establishment
Taiyuan Changyu Pioneer Sales Co. Ltd ("Taiyuan Pioneer")	Taiyuan, Shanxi, China	Taiyuan, Shanxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Huhehaote Changyu Pioneer Sales Co. Ltd ("Huhehaote Pioneer")	Huhehaote Inner Mongolia, China	Huhehaote Inner Mongolia, China	Sales	-	100%	Subsidiaries acquired by establishment
Chengdu Changyu Pioneer Sales Co. Ltd ("Chengdu Pioneer")	Chengdu, Sichuan, China	Chengdu, Sichuan, China	Sales	-	100%	Subsidiaries acquired by establishment
Nanning Changyu Pioneer Sales Co. Ltd ("Nanning Pioneer")	Nanning, Guangxi, China	Nanning, Guangxi, China	Sales	-	100%	Subsidiaries acquired by establishment
Lanzhou Pioneer	Lanzhou Gansu, China	Lanzhou Gansu, China	Sales	-	100%	Subsidiaries acquired by establishment
Yantai Fulangduo	Yantai Shandong, China	Yantai Shandong, China	Sales	-	100%	Subsidiaries acquired by establishment
Hefei Pioneer	Hefei, Anhui, China	Hefei, Anhui, China	Sales	-	100%	Subsidiaries acquired by establishment
Urumchi Pioneer	Urumchi Xinjiang, China	Urumchi Xinjiang, China	Sales	-	100%	Subsidiaries acquired by establishment
Guizhou Pioneer	Guiyang Guizhou, China	Guiyang Guizhou, China	Sales	-	100%	Subsidiaries acquired by establishment

Explanation in difference between holding interests and voting rights in subsidiaries:

- (a) Xinjiang Tianzhu was acquired by the Company, accounting for 60% of Xinjiang Tianzhu's equity interest. Through agreement arrangement, the Company has the full power to control Xinjiang Tianzhu's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2018.
- (b) Changyu Chateau 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 will be terminated on 31 December 2022.
- (c) Langfang Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 49% of Langfang Chateau's equity interest by the Company and subsidiaries. Through agreement arrangement, the Company has the full power to control Langfang Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.
- (d) Beijing Chateau is a limited liability company established by the Company and domestic investors, accounting for 70% of Beijing Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Beijing Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2019.
- (e) Ice Chateau is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Ice Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Ice Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2016.

VIII. INTERESTS IN OTHER ENTITIES - continued

2. Non-wholly owned subsidiaries

Name	Minority shareholder ratio	Profit and loss belongs to minority interest	Closing balance of minority interest
Xinjiang Tianzhu	40%	-	56,093,912
Dicot	25%	201,770	32,684,643
Changyu Chateau	30%	-	12,365,016
Langfang Castel	51%	-	22,702,522
Beijing Chateau	30%	-	35,293,868
Ice Chateau	49%	-	33,319,062

Explanation in difference between share percentage and voting power of non-controlling interests:
Please see Note VIII -1.

3. Key financial information of important non-wholly owned subsidiaries

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Tianzhu	101,018,712	81,709,715	182,728,427	15,554,068	5,336,114	20,890,182	86,541,666	89,469,815	176,011,481	7,165,015	5,336,114	12,501,129
Changyu Chateau	156,538,810	118,256,609	274,795,419	191,898,436	-	191,898,436	56,430,830	113,883,719	170,314,549	88,220,921	-	88,220,921
Langfang Castel	30,867,940	22,471,694	53,339,634	7,913,957	-	7,913,957	29,986,460	24,229,921	54,216,381	7,753,321	-	7,753,321
Beijing Chateau	216,643,935	523,151,845	739,795,780	588,733,969	1,777,890	590,511,859	113,589,773	544,577,614	658,167,387	549,595,386	2,666,835	552,262,221
Ice Chateau	43,224,419	29,322,675	72,547,094	12,623,467	100,000	12,723,467	43,424,068	30,796,802	74,220,870	10,073,994	100,000	10,173,994
Dicot	277,879,914	157,297,623	435,177,537	259,625,473	44,813,493	304,438,966	N/A	N/A	N/A	N/A	N/A	N/A

Name	2015				2014			
	Revenue	Net profit (loss)	Total comprehensive income	Operating activities cash flows	Revenue	Net profit (loss)	Total comprehensive income	Operating activities cash flows
Xinjiang Tianzhu	107,683,230	(37,548)	(37,548)	44,250,338	86,483,652	1,470,239	1,470,239	(5,590,904)
Changyu Chateau	98,894,499	7,573,641	7,573,641	22,609,230	110,684,738	1,887,415	1,887,415	30,351,075
Langfang Castel	51,602,897	862,103	862,103	1,995,967	50,335,802	(507,895)	(507,895)	(2,788,417)
Beijing Chateau	170,037,611	25,424,015	25,424,015	72,629,545	160,547,230	20,881,532	20,881,532	29,246,144
Ice Chateau	51,657,543	(4,223,249)	(4,223,249)	3,294,895	51,973,176	1,599,580	1,599,580	(9,712,584)
Dicot (Note)	76,202,513	807,079	396,939	(3,682,122)	N/A	N/A	N/A	N/A

Note: This is amount incurred in the period between acquisition date and 31 December 2015.

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank, notes receivable, accounts receivable, interest receivables, other receivables, available-for-sale financial assets, other non-current assets, short-term borrowings, notes payables, accounts payable, other payables, interest payables, and long-term borrowings. Details of these financial instruments are disclosed in Note VI. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with EUR and HKD. Several of the Group's subsidiaries have purchases and sales denominated in EUR and HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2015, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in EUR and HKD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank and cash (EUR)	151,746,825	344,061
Bank and cash (HKD)	96,777	-
Short-term borrowings (HKD)	103,297,447	-
Non-current liabilities due within one year (HKD)	127,345,600	-
Long-term borrowings (EUR)	56,761,600	89,467,200
Long-term borrowings (HKD)	-	119,912,800
	<hr/>	<hr/>

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.1 Currency risk - continued

Sensitivity analysis on currency risk

Where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

	<u>Change in exchange rate</u> RMB	<u>Current year</u>		<u>Prior year</u>	
		<u>Effect on profit</u> RMB	<u>Effect on shareholders' equity</u> RMB	<u>Effect on profit</u> RMB	<u>Effect on shareholders' equity</u> RMB
HKD	5% increase against RMB	(11,527,314)	(11,527,314)	(5,995,640)	(5,995,640)
HKD	5% decrease against RMB	11,527,314	11,527,314	5,995,640	5,995,640
EUR	5% increase against RMB	4,749,261	4,749,261	(4,456,157)	(4,456,157)
EUR	5% decrease against RMB	(4,749,261)	(4,749,261)	4,456,157	4,456,157

1.1.2 Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see Note VI 1, Note VI 18 and Note VI 27 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

The sensitivity analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments.

Management of the Group believes interest rate risk on bank deposit is not significant, therefore does not disclose sensitivity analysis for interest rate risk.

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity

<u>Items</u>	<u>Change in interest rate</u>	<u>Current year</u>		<u>Prior year</u>	
		<u>Effect on profit</u>	<u>Effect on owners' equity</u>	<u>Effect on profit</u>	<u>Effect on owners' equity</u>
Bank borrowings	50% increase	(2,528,430)	(2,528,430)	(1,044,435)	(1,044,435)
Bank borrowings	50% decrease	2,528,430	2,528,430	1,044,435	1,044,435

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.2 Credit risk

As at 31 December 2015, 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. The Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. 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 recognized 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 2015, 28.4% of the Group trade receivables are due from top 5 customers (31 December 2014: 33.6%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

Analysis of individually impaired financial assets

As at 31 December 2015, the Group has provided full bad debts provision for the individually impaired account receivable due from Tiantong Security Co., Ltd., which has been in insolvency.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Non-derivative financial liabilities

	<u>Less than one month</u> RMB	<u>1-3 months</u> RMB	<u>3-12 months</u> RMB	<u>1-5 years</u> RMB	<u>Total</u> RMB
Short-term borrowings	5,241,848	153,757,762	527,166,145	-	686,165,755
Notes payables	-	13,000,000	16,000,000	-	29,000,000
Account payables	174,469,862	348,939,723	45,868,783	-	569,278,368
Other payables	138,985,668	108,891,483	261,349,244	-	509,226,395
Interest payables	749,357	227,947	-	-	977,304
Non-current liabilities					
due within one year	298,377	5,138,599	154,467,154	-	159,904,130
Long-term borrowings	213,462	445,888	2,197,833	74,004,070	76,861,253
	<u>319,958,574</u>	<u>630,401,402</u>	<u>1,007,049,159</u>	<u>74,004,070</u>	<u>2,031,413,205</u>

IX. FINANCIAL INSTRUMENT AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.4 Fair value disclosure - Financial assets and liabilities not measured using fair value

As at 31 December 2015, management of the Group believes that book value of financial assets measured under amortised cost method is approximately equal to their fair value.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent company

Name of parent company	Relation	Type of enterprise	Place of registration	Legal representative	Scope of business	Registered capital RMB	Percentage of shares %	Percentage of voting rights %	Incorporate Code
Controlling Company		Limited Company	Yantai	SunLiqiang	Manufacturing	50,000,000	50.4	50.4	265645824

During the year ended 31 December 2015, there is no change in parent company's registered capital, shares holding or voting power.

2. Subsidiaries: Please refer to Note VIII.

3. Other related parties

<u>Name of related parties</u>	<u>Nature of related parties</u>	<u>Incorporate code</u>
Yantai Changyu Wine Culture Museum Co., Ltd. ("Wine Culture Museum")	Company controlled by the same parent	258258654
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City")	Company controlled by the same parent	672208146
Yantai ShenMa Packing Co., Ltd. ("ShenMa Packing")	Company controlled by the same parent	553393350
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd. ("Zhongya Pharmaceutical")	Company controlled by the same parent	726203923

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

4. Significant related party transactions

(1) Purchases from and sales to related parties

Purchase from related parties

	<u>The content of related party transactions</u>	<u>2015</u> RMB	<u>2014</u> RMB
ShenMa Packing	product purchase	153,891,013	149,536,913
Zhongya Pharmaceutical	product purchase	9,856,685	5,205,207
Wine Culture Museum	product purchase	6,047,453	934,085
Window of the Wine City	product purchase	730,488	4,161,708
		<u>170,525,639</u>	<u>159,837,913</u>

All related party transactions are based on the negotiated price.

In 2015, purchases from related parties accounted for 10.5% of the Group's total purchase (2014: 11.8%)

Sales to related parties

	<u>The content of related party transactions</u>	<u>2015</u> RMB	<u>2014</u> RMB
Wine Culture Museum	goods sales	7,371,180	10,111,288
Window of the Wine City	goods sales	7,578,711	7,083,716
Zhongya Pharmaceutical	goods sales	2,723,976	2,596,070
ShenMa Packing	goods sales	1,820,232	1,684,486
		<u>19,494,099</u>	<u>21,475,560</u>

All related party transactions are based on the negotiated price.

In 2015, sales to related parties accounted for less than 1% of the Group's total sales (2014: less than 1%).

(2) Property leased from a related party

The Group as Lessee

<u>2015</u>	<u>Assets leased</u>	<u>Beginning date</u>	<u>Ending date</u>	<u>Rental expense</u>
Changyu Group Company	Warehouse and office building	2012/1/1	2016/12/31	<u>5,858,000</u>

Pursuant to the lease agreement entered into between the Company and Changyu Group Company on 1 January 2012, starting from 1 January 2012, the Company rented properties from Changyu Group Company for operation purposes at a basic annual rental of RMB 5,858,000, and till 31 December 2016. For the year ended 31 December 2015, the rental payable to Changyu Group Company amounted to RMB 5,858,000 (2014: RMB 5,858,000).

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

4. Significant related party transactions - continued

(3) Other significant related party transactions

	<u>Note</u>	<u>2015</u> RMB	<u>2014</u> RMB
Royalty fee	(a)	86,001,287	77,809,993
Patents fee	(b)	50,000	50,000

All related party transactions are based on the negotiated price.

(a) Royalty fee

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 Company. The license is effective until the expiry of the registration of the trademarks.

During 2015, royalty fee paid to related company accounted for 100% of the Group (2014: 100%).

(b) Patents fee

Pursuant to a patents implementation license dated 18 May 1997, starting from 18 September 1997, the Company may use the patents of Changyu Group Company. The annual patents usage fee payable by the Company to Changyu Group Company was RMB 50,000. The contract was expired on 20 December 2005. The Company renewed the contract on 20 August 2006 for 10 years. The annual patents usage fee payable by the Company to Changyu Group Company remained RMB 50,000. For the year ended 31 December 2015, the patents usage fee payable to Changyu Group Company is amounted to RMB 50,000 (2014: RMB 50,000).

During 2015, patent fee paid to related company accounted for 100% of the Group (2014: 100%).

(4) Remuneration of the management

	<u>2015</u> RMB	<u>2014</u> RMB
Remuneration of the management	9,744,790	8,884,459

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS - continued

5. Balance due from/ to related parties

(1) Balance due from related parties

<u>Accounts receivable</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB
Zhongya Pharmaceutical	2,240,282	-	1,378,843	-
Shen Ma Packing.	169,300	-	15,820	-
Window of the Wine City	7,812	-	-	-
	<u>2,417,394</u>	<u>-</u>	<u>1,394,663</u>	<u>-</u>

The above amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.

(2) Balance due to related parties

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Accounts payable		
Shen Ma Packing	53,735,915	53,027,076
Zhongya Pharmaceutical	7,272,656	6,550,051
Wine Culture Museum	1,928,504	1,043,208
Window of the Wine City	145,861	59,668
Total	<u>63,082,936</u>	<u>60,680,003</u>
Other payable		
Royalty fee payable to parent company	86,001,287	77,809,993
Shen Ma Packing	-	200,000
Total	<u>86,001,287</u>	<u>78,009,993</u>

The above amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

XI. COMMITMENT

1. Important commitments

(1) Capital commitments

	<u>Closing balance</u> RMB'000	<u>Opening balance</u> RMB'000
Capital commitment for purchasing non-current assets	<u>1,580,280</u>	<u>687,460</u>

XI. COMMITMENT- continued

1. Important commitments - continued

(2) Operating lease commitment

As lessee

Significant operating lease: Total future minimal lease payments under non-cancelable contract with lessor are as follow:

	<u>Closing balance</u> RMB'000	<u>Opening balance</u> RMB'000
Within 1 year	50,369	53,274
1 to 2 years	35,100	37,256
2 to 3 years	24,265	27,278
3 years and above	44,466	40,402
	<u>154,200</u>	<u>158,210</u>

2. Contingent liability

The Group and the Company do not have any significant contingent liabilities as at balance sheet date.

XII. POST BALANCE SHEET DATE EVENT

According to the board of the director resolution raised on 27 April 2016, the Company proposed a cash dividend of RMB 5.0 (including taxes) for every 10 shares in respect of 2015 based on the issued shares of 685,464,000. The aggregate amount of cash dividend is RMB 342,732,000. The resolution is to be approved by the annual general meeting.

XIII. OTHER SIGNIFICANT EVENTSSegment report

The Group is principally engaged in the production and sales of wine, brandy, and champagne in China, France and Spain. In accordance with the Group's internal organization structure, management requirements and internal reporting system, the Group's operation is divided into three parts: China, France and Spain. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2015, more than 98.4% revenue and more than 99.9% profit derived from China, and more than 93.8% assets are located in China. Therefore the Group does not need to disclose additional segment report information.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS

1. Cash and bank

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Cash	10,804	5,847
Bank balance	155,430,457	371,128,398
Other currency fund	125,377,572	125,004,018
Total	<u>280,818,833</u>	<u>496,138,263</u>

As at 31 December 2015, the balance of restricted cash of the Company is RMB 2,643,181 (31 December 2014: RMB 2,643,519), which is the Group's housing fund.

As at 31 December 2015, other currency fund of the Company include: security of RMB 125,000,000 (31 December 2014: RMB 125,000,000) pledged for a short-term borrowing from HSBC of HKD 152,000,000(translated as RMB 127,345,600), deposit of RMB 370,000 for letter of credit and company cards deposit guarantee of RMB 7,572 (31 December 2014: RMB 4,018).

As at 31 December 2015, The Company's term deposits with original maturity from three months to six months when acquired is RMB 9,000,000 (31 December 2014: RMB 35,245,260) with interest rates ranging from 1.38%-1.69% .

2. Notes receivable

(1) Categories of notes receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>38,429,319</u>	<u>98,158,251</u>

(2) Pledged notes receivable

As of 31 December 2015, there was no pledged notes receivable (31 December 2014: Nil).

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

2. Note receivable - continued

(3) Notes endorsed by the Group to other parties which are not yet due at the end of the period

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Bank acceptances	<u>59,952,558</u>	<u>52,895,804</u>

As at 31 December 2015, notes endorsed by the Company to other parties which are not yet due at the end of the period is RMB 59,952,558 (31 December 2014: RMB 52,895,804). It is for the payment to suppliers. The Company believes that due to bank good reputation, the risk of maturity cannot be cashed is very low, these notes receivable ownership of the risks and rewards have been transferred to the supplier, therefore confirm the termination of the endorsement note receivables. If bank is unable to settle the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

(4) Notes receivable were reclassified as accounts receivable due to the default of drawer

As at 31 December 2015, there was no notes receivable were reclassified as accounts receivable due to the default of drawer (31 December 2014: Nil).

3. Accounts receivable

(1) The aging analysis is as follows:

	<u>Closing balance</u>					<u>Opening balance</u>				
	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>	<u>Balance</u>		<u>Bad debts provisions</u>		<u>Carrying Amount</u>
	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB	<u>Proportion</u> (%)	<u>Amount</u> RMB
Accounts receivable that are individually not significant and for which bad debt provision has been assessed individually	<u>2,392,870</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>2,392,870</u>	<u>1,516,518</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>1,516,518</u>

The normal credit term of trade receivables is one month, which can be extended to one year for certain major customers. The trade receivables are interest free.

There was no individually significant and for which bad debt provision has been assessed individually account receivable.

The aging analysis is as follows:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	<u>2,392,870</u>	<u>1,516,518</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

3. Accounts receivable - continued

(2) Provision, reversals and collections during the current period:

As at 31 December 2015, there was no provision provided for trade receivables (31 December 2014: Nil). The Company did not provide, reverse or write off any provision during 2015 (31 December 2014: Nil)

(3) Top three entities with the largest balances of accounts receivable

	<u>Relationship with the Group</u>	<u>Amount RMB</u>	<u>Aging</u>	<u>Proportion of total receivables %</u>
Zhongya Pharmaceutical	Other related parties	1,341,924	Within 1 year	56.1
Yantai Huibao arts and crafts Manufacturing Co., Ltd.	Third party	1,050,946	Within 1 year	43.9
		<u>2,392,870</u>		<u>100.0</u>

4. Prepayments

(1) The aging analysis is as follows:

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Amount RMB</u>	<u>Proportion %</u>	<u>Amount RMB</u>	<u>Proportion %</u>
Within 1 year	<u>445,619</u>	<u>100.0</u>	<u>1,710,787</u>	<u>100.0</u>

(2) Top three entities with the largest balances of prepayments

	<u>Relationship with the Group</u>	<u>Amount RMB</u>	<u>Aging</u>	<u>Reason for being outstanding</u>	<u>Percentage of total advances to suppliers %</u>
Shandong Electricity Company Yantai branch	Third party	423,749	Within 1 year	electric fee	95.1
Sinopec Shandong Yantai Oil Products Company	Third party	20,847	Within 1 year	gas fee	4.7
Shandong Tongyuan Project Cost Consultation Company	Third party	1,023	Within 1 year	consulting fee	0.2
		<u>445,619</u>			<u>100.0</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

5. Interest receivable

(1) Categories of interest receivable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Interests of bank deposits	<u>8,019,338</u>	<u>3,580,811</u>

(2) Overdue interest

As at 31 December 2015, there was no overdue interest receivable (31 December 2014: Nil).

6. Dividend receivables

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Within 1 year				
Including: Sales Company	402,596,884	1,404,700,197	(1,083,037,892)	724,259,189
Wines Sales	-	65,465,163	(45,000,000)	20,465,163
Changyu Chateau	-	6,770,286	(6,770,286)	-
Langfang Sales	-	1,000,000	(1,000,000)	-
Jingyang Sales	-	21,000,000	(21,000,000)	-
National Wines	-	45,000,000	(45,000,000)	-
Pioneer International	-	43,367,997	-	43,367,997
Total	<u>402,596,884</u>	<u>1,587,303,643</u>	<u>(1,201,808,178)</u>	<u>788,092,349</u>

7. Other receivables

(1) Disclosure of other receivables by categories:

	<u>Closing balance</u>			<u>Opening balance</u>		
	<u>Balance</u> Amount RMB	<u>Bad debts provisions</u> Proportion (%)	<u>Carrying Amount</u> Amount RMB	<u>Balance</u> Amount RMB	<u>Bad debts provisions</u> Proportion (%)	<u>Carrying Amount</u> Amount RMB
Other receivables that are individually significant and for which bad debt provision has been assessed individually	5,727,534,401	99.8	(7,199,521)	4,701,016,368	99.7	(7,199,521)
Other receivables that are not individually significant and for which bad debt provision has been assessed individually	14,121,249	0.2	-	15,019,429	0.3	-
Total	<u>5,741,655,650</u>	<u>100.0</u>	<u>(7,199,521)</u>	<u>4,716,035,797</u>	<u>100.0</u>	<u>(7,199,521)</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

7. Other receivables - continued

(1) Disclosure of other receivables by categories: - continued

Other receivables that are individually significant and for which bad debt provision has been assessed individually:

As at 31 December 2015, other receivables that are individually significant at the end of the period but for which bad debt provision has been assessed individually:

	<u>Balance</u> RMB	<u>Bad debt</u> <u>provision</u> RMB	<u>Percentage</u> %	<u>Reason for provision</u>
Tiantong Security Co., Ltd.	7,199,521	7,199,521	100	The debtor is in the process of liquidation Unable to repay

The aging analysis is as follows:

	<u>Closing balance</u>				<u>Opening balance</u>			
	<u>Balance</u>		<u>Bad debts</u> <u>provision</u> Amount RMB	<u>Carrying</u> <u>amount</u> Amount RMB	<u>Balance</u>		<u>Bad debts</u> <u>provision</u> Amount RMB	<u>Carrying</u> <u>amount</u> Amount RMB
	<u>Amount</u> RMB	<u>Proportion</u> %			<u>Amount</u> RMB	<u>Proportion</u> %		
Within 1 year	4,849,743,585	84.5	-	4,849,743,585	4,708,620,670	99.8	-	4,708,620,670
1 to 2 years	884,540,581	15.4	-	884,540,581	215,606	0.0	-	215,606
2 to 3 years	171,963	0.0	-	171,963				-
Over 3 years	7,199,521	0.1	(7,199,521)	-	7,199,521	0.2	(7,199,521)	-
	<u>5,741,655,650</u>	<u>100.0</u>	<u>(7,199,521)</u>	<u>5,734,456,129</u>	<u>4,716,035,797</u>	<u>100.0</u>	<u>(7,199,521)</u>	<u>4,708,836,276</u>

(2) Accrual, reversal and written-off during the current period:

No bad debt accrued or reversed in 2015 (2014: bad debt was reversed RMB 192,908).

(3) Other receivable written off current year

No other receivable written off in 2015.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

7. Other receivables - continued

(4) Disclosure of other receivables by nature

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Receivable from subsidiary	5,732,654,756	4,699,819,825
Investment fund	7,199,521	7,199,521
Consumption tax refund	-	1,924,913
Receivable deposit	103,834	-
Others	1,697,539	7,091,538
	<u>5,741,655,650</u>	<u>4,716,035,797</u>

(5) Top five entities with the largest balances of other receivables

As at 31 December 2015, the particulars of top five other receivables are as follows:

	<u>Nature</u>	<u>Amount</u> RMB	<u>Aging</u>	<u>Proportion of total</u> <u>prepayments</u> %
R&D Centre	Internal balance	1,635,214,371	Within 2 year	28.5
Changan Chateau	Internal balance	772,647,858	Within 1 year	13.5
Shihezi Chateau	Internal balance	661,131,888	Within 1 year	11.5
Beijing Chateau	Internal balance	637,225,867	Within 1 year	11.1
Ningxia Wine	Internal balance	528,078,958	Within 1 year	9.2
		<u>4,234,298,942</u>		<u>73.8</u>

8. Inventories

	<u>Closing balance</u>			<u>Opening balance</u>		
	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying</u> <u>amount</u> RMB	<u>Balance</u> RMB	<u>Provision</u> RMB	<u>Net carrying</u> <u>amount</u> RMB
Raw material	5,200,748	-	5,200,748	8,061,194	-	8,061,194
Work in progress	680,061,444	-	680,061,444	605,911,810	-	605,911,810
Finished goods	42,910,915	-	42,910,915	67,723,770	-	67,723,770
	<u>728,173,107</u>	<u>-</u>	<u>728,173,107</u>	<u>681,696,774</u>	<u>-</u>	<u>681,696,774</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued**9. Long-term equity investments**

2015	Cost RMB	Opening balance RMB	Movement for the year RMB	Closing balance RMB	Share holding %	Voting power %	Cash Dividends for the year RMB
Cost Method							
Xinjiang Tianzhu (a)	60,000,000	60,000,000	-	60,000,000	60	100	-
Kylin Packaging	23,176,063	23,176,063	-	23,176,063	100	100	-
Changyu Chateau (a)	28,968,100	28,968,100	-	28,968,100	70	100	6,770,286
AFIP Tourism (b)	-	350,000	(350,000)	-	-	100	-
Pioneer International (c)	3,500,000	3,500,000	-	3,500,000	70	100	43,367,997
Ningxia Growing	1,000,000	1,000,000	-	1,000,000	100	100	-
National Wines	2,000,000	2,000,000	-	2,000,000	100	100	45,000,000
Ice Chateau (a)	30,440,500	30,440,500	-	30,440,500	51	100	-
Beijing Chateau (a)	77,000,000	77,000,000	-	77,000,000	70	100	-
Sales Company	7,200,000	7,200,000	-	7,200,000	100	100	1,404,700,197
Langfang Sales (c)	100,000	100,000	-	100,000	10	100	1,000,000
Langfang Castel (a)	19,835,730	19,835,730	-	19,835,730	39	100	-
Wine Sales	4,500,000	4,500,000	-	4,500,000	90	100	65,465,163
Shanghai Sales(c)	300,000	300,000	-	300,000	30	100	-
Beijing Sales	850,000	850,000	-	850,000	100	100	-
Jingyang Sales (c)	100,000	100,000	-	100,000	10	100	21,000,000
Jingyang Wine (c)	900,000	900,000	-	900,000	90	100	-
Ningxia Wine	1,000,000	1,000,000	-	1,000,000	100	100	-
Ningxia Chateau	2,000,000	2,000,000	-	2,000,000	100	100	-
Dingluote Chateau (c)	80,000,000	80,000,000	-	80,000,000	65	100	-
Shihezi Chateau	150,000,000	150,000,000	-	150,000,000	100	100	-
Changan Chateau	20,000,000	20,000,000	-	20,000,000	100	100	-
R&D Centre	500,000,000	500,000,000	-	500,000,000	100	100	-
Huanren Wine	11,000,000	11,000,000	-	11,000,000	100	100	-
Francs Champs	209,706,634	69,216,634	140,490,000	209,706,634	100	100	-
Dicot	190,148,125	-	190,148,125	190,148,125	75	75	-
	<u>1,423,725,152</u>	<u>1,093,437,027</u>	<u>330,288,125</u>	<u>1,423,725,152</u>			<u>1,587,303,643</u>

- (a) The Company has 100% voting power of those subsidiaries by the way of indirect controlling, referring to Note VIII 1.
- (b) In April 2015, the Company sold 70% equity interest of AFIP Tourism to Beijing Chateau with cash consideration RMB 350,000; and Beijing Chateau acquired remaining 30% equity interest from other shareholders, referring to Note VI 30. The Company indirectly holds 100% of voting shares of AFIP Tourism through Beijing Chateau.
- (c) The Company has 100% voting power of these subsidiaries by the way of indirect controlling through wholly owned subsidiaries.

During 2015, there was no significant restriction on the remittance of fund from the investees to the Company.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

10. Fixed assets

(1) Fixed assets

	<u>Buildings</u> RMB	<u>Machinery</u> RMB	<u>Motor vehicles</u> RMB	<u>Total</u> RMB
I. Total original carrying amount				
1. Opening balance	303,890,821	592,474,281	13,102,597	909,467,699
2. Increase				
Purchase	416,867	1,707,476	76,410	2,200,753
CIP transfer	1,342,211	-	-	1,342,211
3. Decrease				
Disposal	-	(1,479,084)	-	(1,479,084)
4. Closing balance	<u>305,649,899</u>	<u>592,702,673</u>	<u>13,179,007</u>	<u>911,531,579</u>
II. Total accumulated depreciation				
1. Opening balance	103,023,133	393,306,776	9,927,135	506,257,044
2. Increase				
Accrual	10,197,419	26,299,551	676,770	37,173,740
3. Decrease				
Disposal	-	(1,405,219)	-	(1,405,219)
4. Closing balance	<u>113,220,552</u>	<u>418,201,108</u>	<u>10,603,905</u>	<u>542,025,565</u>
III. Total net carrying amount				
1. Closing net carrying amount	<u>192,429,347</u>	<u>174,501,565</u>	<u>2,575,102</u>	<u>369,506,014</u>
2. Opening net carrying amount	<u>200,867,688</u>	<u>199,167,505</u>	<u>3,175,462</u>	<u>403,210,655</u>

As at 31 December 2015, there was no fixed assets with ownership restricted.

As at 31 December 2015, the Company has no temporary idle fixed assets, fixed assets held for sale, fixed assets leased in under finance leases and fixed assets leased out under operating leases.

(2) Fixed assets of which certificates of title have not been obtained:

As at 31 December 2015, buildings without property certificate are as follows:

<u>Items</u>	<u>Amount</u> RMB	<u>Reasons why</u> <u>certificates of title have</u> <u>not been obtained</u>
Fermentation center office, experiment building and workshop	<u>6,251,433</u>	Processing

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

11. Construction in progress

(1) Construction in progress

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Reconstruction of boiler heating systems	7,990,777	-
The Company's reconstruction project	-	182,765

(2) Current year movement on important construction

	<u>Budget</u> RMB	<u>Opening balance</u> RMB	<u>Addition</u> RMB	<u>Transfer to PPE</u> RMB	<u>Closing balance</u> RMB	<u>Accumulated expenditure/budget</u> %	<u>The progress of construction</u>	<u>Financed by</u>
Reconstruction of boiler heating systems	<u>13,000,000</u>	<u>-</u>	<u>7,990,777</u>	<u>-</u>	<u>7,990,777</u>	61.5	61.5	Self-raised

There was no interest capitalized in construction in progress in 2015.

(3) As at 31 December 2015, there was no provision was made for the construction in process.

12. Bearer biological asset

Biological asset measured at cost

	<u>Planting</u> RMB
I. Total original carrying amount	
1. Opening balance	90,669,532
2. Increase	
Self-cultivated	<u>27,916,372</u>
3. Closing balance	<u>118,585,904</u>
II. Total accumulated depreciation	
1. Opening balance	7,037,810
2. Increase	
Accrual	<u>586,905</u>
3. Closing balance	<u>7,624,715</u>
III. Total net carrying amount	
1. Closing net carrying amount	<u>110,961,189</u>
2. Opening net carrying amount	<u>83,631,722</u>

As at 31 December 2015, there is no biological asset with ownership restricted.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

12. Bearer biological asset - continued

As at 31 December 2015, the Company's accumulated depreciation of biological assets is RMB 7,624,715 (31 December 2014: RMB 7,037,810).

As at 31 December 2015, biological assets of the Company include mature bearer biological assets of RMB 7,336,311 (31 December 2014: RMB 7,923,216) and immature bearer biological assets of RMB 103,624,878. (31 December 2014: RMB 75,708,506)

As at 31 December 2015, there is no indication that biological assets may be impaired, and no provision was made.

13. Intangible assets

Intangible assets

	<u>Land use right</u> RMB
I. Total original carrying amount	
Opening and closing balance	<u>96,594,766</u>
II. Total accumulated depreciation	
1. Opening balance	19,834,088
2. Increase	
Accrual	<u>2,379,153</u>
3. Closing balance	<u>22,213,241</u>
III. Total net carrying amount	
1. Closing net carrying amount	<u>74,381,525</u>
2. Opening net carrying amount	<u>76,760,678</u>

As at 31 December 2015, there was no intangible assets with restricted ownership.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

14. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset

Recognised deferred tax assets not presented at the net amount after offset

<u>Item</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Deductible temporary difference</u> RMB	<u>Deferred tax assets</u> RMB	<u>Deductible temporary difference</u> RMB	<u>Deferred tax assets</u> RMB
Unrealized profit from intra company transactions	9,159,340	2,289,835	9,000,404	2,250,101
Unpaid bonus	26,378,467	6,594,617	28,548,564	7,137,141
Retirement benefit	12,914,345	3,228,586	11,514,647	2,878,662
Asset impairment provision	17,199,521	4,299,880	17,199,521	4,299,880
Deductable losses	62,511,688	15,627,922	16,185,336	4,046,334
Deferred income	23,591,406	5,897,852	25,765,813	6,441,453
	<u>151,754,767</u>	<u>37,938,692</u>	<u>108,214,285</u>	<u>27,053,571</u>

15. Trade payables

The aging analysis is as follows:

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Within 1 year	271,603,863	228,052,722
1 to 2 years	1,487,319	-
	<u>273,091,182</u>	<u>228,052,722</u>

16. Employee benefit

(1) Employee benefit

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Short-term salaries and welfare	58,718,604	133,680,530	(134,254,864)	58,144,270
Post-demission benefits				
- predetermined provision plan	-	11,358,698	(11,358,698)	-
Termination benefit	11,514,647	5,682,308	(4,282,610)	12,914,345
	<u>70,233,251</u>	<u>150,721,536</u>	<u>(149,896,172)</u>	<u>71,058,615</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

16. Employee benefit - continued

(2) Short-term salaries and welfare

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Salaries and bonus	56,173,932	114,080,026	(114,744,741)	55,509,217
Staff benefit	3,500	8,736,237	(8,737,217)	2,520
Staff welfare	-	5,922,208	(5,922,208)	-
Includes:				
Medical insurance	-	4,555,425	(4,555,425)	-
Injury insurance	-	773,683	(773,683)	-
Maternity insurance	-	593,100	(593,100)	-
Housing fund	-	3,806,689	(3,806,689)	-
Union fee and education fee	2,541,172	1,135,370	(1,044,009)	2,632,533
	<u>58,718,604</u>	<u>133,680,530</u>	<u>(134,254,864)</u>	<u>58,144,270</u>

(3) Predetermined provision plan

	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Pension	-	10,505,200	(10,505,200)	-
Unemployment insurance	-	853,498	(853,498)	-
	<u>-</u>	<u>11,358,698</u>	<u>(11,358,698)</u>	<u>-</u>

The Company participates in pension insurance and unemployment insurance plans established by government institution. According to those plans, the Company pays pension and unemployment insurance each month on the basis of 18% and 1% last period salary respectively. Apart from these monthly expenses, the Company does not bear any further payment obligation. This year the Company should pay RMB 10,505,200 and RMB 853,498 (2014: RMB 9,325,372 and RMB 735,069) respectively into pension insurance and unemployment insurance. As at 31 December 2015, the Company does not have unpaid pension and unemployment insurance (31 December 2014: Nil) which is due to the pension insurance and unemployment insurance plan and not paid at the end of the reporting period.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

17. Taxes payable

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Value added tax	(2,238,737)	(7,183,464)
Consumption tax	11,536,745	12,157,986
Corporation income tax	651,459	3,034,692
Urban land use tax	837,367	837,367
Individual income tax	6,136,634	6,213,385
City construction tax	1,084,656	1,510,366
Property tax	270,408	355,417
Others	1,052,779	1,279,375
	<u>19,331,311</u>	<u>18,205,124</u>

18. Other payables

(1) Natures of other payables are as follows

	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Payable to subsidiaries	983,151,732	1,013,237,829
Payables for equipment and construction	4,600,199	7,437,012
Payables for transportation	495,093	306,238
Deposits from suppliers	537,800	436,271
Others	6,036,457	9,187,469
	<u>994,821,281</u>	<u>1,030,604,819</u>

(2) As at 31 December 2015, there were no significant outstanding balance aged over than one year.

19. Capital reserve

<u>2015</u>	<u>Opening balance</u> RMB	<u>Increase</u> RMB	<u>Decrease</u> RMB	<u>Closing balance</u> RMB
Share premium	<u>557,222,454</u>	<u>-</u>	<u>-</u>	<u>557,222,454</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

20. Revenue and cost of sales

Revenue is as follows:

	<u>2015</u> RMB	<u>2014</u> RMB
Principal operating income	1,383,184,483	1,647,825,652

Cost of sales is as follows:

	<u>2015</u> RMB	<u>2014</u> RMB
Principal operating cost	1,154,834,509	1,406,987,744

21. Tax and surcharges

	<u>2015</u> RMB	<u>2014</u> RMB
Consumption tax	106,640,172	129,159,521
City construction tax	11,533,643	14,952,818
Education fee and surcharges	8,306,059	10,672,202
Others	1,647,256	2,242,360
	<u>128,127,130</u>	<u>157,026,901</u>

22. General and administrative expense

	<u>2015</u> RMB	<u>2014</u> RMB
Salary and employee benefit	36,006,578	31,119,420
Insurance fee	23,511,879	21,720,066
Leasing expenses	6,575,996	7,569,488
Depreciation	4,423,980	3,860,257
Amortization	3,012,058	2,917,149
Administrative expenses	7,413,605	8,748,731
Travelling expenses	3,441,134	2,704,509
Entertainment fee	279,413	278,344
Property tax, stamp duty and other taxes	6,105,794	5,331,881
Maintenance fee	9,276,965	9,685,094
Service fee	12,329,601	4,047,362
Others	18,810,792	14,069,244
	<u>131,187,795</u>	<u>112,051,545</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

23. Loss on impairment of assets

	<u>2015</u> RMB	<u>2014</u> RMB
Reversal of impairment loss	-	(192,908)

24. Financial Expense

	<u>2015</u> RMB	<u>2014</u> RMB
Interest income	(11,868,515)	(15,866,780)
Exchange loss(gain)	8,543,586	(6,093,361)
Less: Interest expenses	21,322,155	10,227,740
Bank charges	855,471	678,848
	<u>18,852,697</u>	<u>(11,053,553)</u>

25. Investment income

	<u>2015</u> RMB	<u>2014</u> RMB
Long-term equity investment income accounted for by using the cost method	<u>1,587,303,643</u>	<u>1,164,089,666</u>

Among the long-term equity investment income accounted for by using cost method, the investees with investment income accounting for more than 5% of the Company's total profit before tax are as follows:

<u>Investees</u>	<u>2015</u> RMB	<u>2014</u> RMB
Sales Company	<u>1,404,700,197</u>	<u>1,013,615,384</u>

As at 31 December 2015 and at 31 December 2014, there was no significant restriction on the remittance of investment income to the Company.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

26. Supplement to cash flow statement

	<u>2015</u> RMB	<u>2014</u> RMB
Cash flows from operating activities calculated by adjusting the net profit:		
Net profit	1,553,520,098	1,151,762,045
Add: Impairment/(reverse) provision	-	(192,908)
Depreciation of fixed assets	37,173,740	37,892,938
Amortization of intangible assets	2,379,153	2,379,153
Amortization of biological assets	586,905	586,905
Losses/(gains) on disposal of property, plant and equipment	(116,340)	5,076,491
Finance expenses	7,609,550	(11,684,489)
Investment income	(1,587,303,643)	(1,164,089,666)
Increase in deferred tax assets	(10,885,121)	(4,096,824)
Decrease/(increase) in inventories	(46,476,333)	99,587,415
Decrease/(increase) in trade receivables	(973,578,831)	(1,057,576,001)
Increase/(decrease) in trade payables	11,918,004	(525,631,084)
Net cash flows from operating activities	<u>(1,005,172,818)</u>	<u>(1,465,986,025)</u>

27. Cash and cash equivalents

	<u>2015</u> RMB	<u>2014</u> RMB
Closing balance of cash and bank	280,818,833	496,138,263
Less:		
Restricted bank deposits	2,643,181	2,643,519
Restricted other monetary assets	125,377,572	125,004,018
Deposit with a period of over three months	9,000,000	35,245,260
Closing balance of cash and cash equivalents	<u>143,798,080</u>	<u>333,245,466</u>
	<u>2015</u> RMB	<u>2014</u> RMB
Cash and bank	143,798,080	333,245,466
Including: Cash on hand	10,804	5,847
Bank deposits on demand	143,787,276	333,239,619
Closing balance of cash and cash equivalents	<u>143,798,080</u>	<u>333,245,466</u>

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

28. Related party transactions

(1) Purchase of materials

	<u>2015</u> RMB	<u>2014</u> RMB
Subsidiaries	319,040,340	275,537,285
Other related parties	111,273,050	105,807,546
	<u>430,313,390</u>	<u>381,344,831</u>

(2) Sales of goods

	<u>2015</u> RMB	<u>2014</u> RMB
Subsidiaries	1,374,745,130	1,640,615,167
Other related parties	8,439,353	7,210,485
	<u>1,383,184,483</u>	<u>1,647,825,652</u>

29. Receivables and payables to related parties

(1) Trade receivables

<u>Trade receivables</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB
Other related parties	1,341,924	-	463,690	-

<u>Other receivables</u>	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB	<u>Balance</u> RMB	<u>Bad debts provision</u> RMB
Subsidiaries	5,732,654,756	-	4,699,819,825	-

The above receivables due from related parties are unsecured, have no interest or fixed date of repayment.

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS - continued

29. Receivables and payables to related parties - continued

(2) Trade payables

<u>Trade Payables</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Other related parties	36,377,928	29,592,060
	<u>36,377,928</u>	<u>29,592,060</u>
<u>Other payables</u>	<u>Closing balance</u> RMB	<u>Opening balance</u> RMB
Subsidiaries	983,151,732	1,013,237,829
Other related parties	-	200,000
	<u>983,151,732</u>	<u>1,013,437,829</u>

The above payables due to related parties are unsecured, have no interest or fixed date of repayment.

APPENDIX I SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

I. DETAILS OF EXTRAORDINARY PROFIT AND LOSS

	2015 RMB
Loss on disposal of non-current assets, including reversal of accrued impairment provision	136,061
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the Group's operation, in line with related regulations and have proper basis of calculation)	38,952,919
Other non-operating income and expense	9,071,448
Corporate income tax effect	(11,355,391)
	36,805,037
	36,805,037

The Company's extraordinary profit and loss items are recognized in accordance with the regulations of the "public offering of securities of the Company Disclosure Explanatory Notice No. 1 - non-recurring profit and losses" (SFC [2008] No. 43).

All non-operation income and non-operation expenses are non-operating profit in 2015. Please refer to Note VI 40 and VI 41.

II. RETURN ON EQUITY ("ROE") AND EARNINGS PER SHARE ("EPS")

The Company's ROE and EPS are calculated in accordance with the CSRC regulations of the "Information Preparing and Disclosure Rules of Public Company No. 9 - calculation and disclosure of ROE and EPS" (Revised 2010).

<u>2015</u>	Weighted average <u>ROE</u> %	<u>Basic EPS</u> RMB
Net profit attributable to shareholders of the Company	14.40	1.50
Net profit attributable to shareholders of the Company deducting extraordinary profit and loss	13.89	1.45
	13.89	1.45

The Company did not have any potential dilutive shares.

<u>2014</u>	Weighted average <u>ROE</u> %	<u>Basic EPS</u> RMB
Net profit attributable to shareholders of the Company	15.11	1.43
Net profit attributable to shareholders of the Company deducting extraordinary profit and loss	14.69	1.39
	——	——
	——	——

The Company did not have any potential dilutive shares.

XI, 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 accountants in charge.
- (3) The *Prospectus* and *Public Offering Announcement* for Stock B in 1997, the *Prospectus* and *The Shares' Change & Public Offering Announcement* for Stock A in 2000.
- (4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

Yantai Changyu Pioneer Wine Co. Ltd.

Board of Directors

28th April 2016