



Yantai Changyu Pioneer Wine Co., Ltd.

2019 the First Quarter Report Main Body

I. Important Notice

The Company's board of directors, board of supervisors, directors, supervisors and senior executives guarantee the truthfulness, accuracy and completeness of contents contained in this quarter report as well as no unfaithful facts, misleading statements or significant omissions and undertake individual and collective legal liabilities.

All directors attended the board meeting for deliberating this quarter report.

Mr. Zhou Hongjiang (person in charge of the Company) and Mr. Jiang Jianxun (person in charge of accounting work, person in charge of accounting organization and person in charge of accounting) declare to assure the truthfulness, accuracy and completeness of the financial statement in this quarter report.

II、 Corporate Information

1. Key accounting data and financial indicators

Whether the Company need to make retroactive adjustments or restate the accounting data of previous fiscal years.

Yes No

Item	This report period	The same period of last year	More or less than the same period of last year (%)
Operating revenue (CNY)	1, 667, 424, 758	1, 804, 057, 976	-7. 57%
Net profit attributed to the shareholders of the listed company (CNY)	456, 381, 471	479, 444, 238	-4. 81%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	450, 709, 661	466, 181, 564	-3. 32%
Net cash flows from the operating activities (CNY)	294, 678, 342	507, 263, 964	-41. 91%
Basic earnings per share (CNY)	0. 67	0. 70	-4. 29%
Diluted earnings per share (CNY)	0. 67	0. 70	-4. 29%
Weighted average for earning rate of the net assets	4. 75%	5. 24%	-0. 49%
	The end of this report period	The end of last year	More or less than the end of last year (%)
Total assets (CNY)	13, 317, 351, 339	13, 117, 729, 052	1. 52%
Net Assets attributed to the shareholders of the listed company (CNY)	10, 055, 194, 755	9, 606, 099, 365	4. 68%

Details of irregular profit and loss

Yes No

Unit: CNY

Item	From beginning of year to end of report period	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	1, 138	
Government grants credited in profit and loss (except for those recurring government grants that are closely related to the entity's operation, in line with related regulations and have proper basis of calculation)	6, 172, 178	

Other non-operating income and expenses	1, 259, 563	
Less: Income tax effect	1, 741, 770	
Minority interests effect(after-tax)	19, 299	
Total	5, 671, 810	--

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

Available Not available

There is no situation that non-recurring 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 - Non-recurring Profit and Loss* during the report period.

2. The total number of shareholders and top 10 shareholders at the end of the report period

- 1) The number of the common shareholders and preferred shareholders with recovered voting power as well as the shareholding of top 10 shareholders

Unit: share

Total number of common shareholders at the end of report period	45, 104	Total number of preferred shareholders with recovered voting power at the end of report period	0			
Shareholding of top 10 shareholders						
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held	Number of restricted shares	Pledged or frozen	
					Share status	Amount
YANTAI CHANGYU GROUP COMPANY LIMITED	Domestic non-state-owned legal person	50.40%	345, 473, 856	0		0
GAOLING FUND,L.P.	Foreign legal person	3.08%	21, 090, 219	0		0
CHINA SECURITIES FINANCE CORP	State-owned legal person	2.25%	15, 440, 794	0		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	2.22%	15, 241, 826	0		0
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.24%	8, 492, 763	0		0
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6, 350, 762	0		0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.80%	5, 516, 796	0		0
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	State-owned legal person	0.69%	4, 761, 200	0		0

VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.55%	3,788,487	0	0
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign legal person	0.55%	3,779,202	0	0
Shareholding of top 10 shareholders with unrestricted shares					
Name of Shareholders	Number of unrestricted shares held	Type of share			
		Type of share	Amount		
YANTAI CHANGYU GROUP COMPANY LIMITED	345,473,856	A share	345,473,856		
GAOLING FUND,L.P.	21,090,219	B share	21,090,219		
CHINA SECURITIES FINANCE CORP	15,440,794	A share	15,440,794		
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	15,241,826	B share	15,241,826		
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	8,492,763	B share	8,492,763		
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B share	6,350,762		
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	5,516,796	B share	5,516,796		
CENTRAL HUIJIN ASSET MANAGEMENT LTD.	4,761,200	A share	4,761,200		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	3,788,487	B share	3,788,487		
FIDELITY CHINA SPECIAL SITUATIONS PLC	3,779,202	B share	3,779,202		
The explanation for the associated relationship and accordant action of the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.				
Explanation for the top 10 common shareholders who involved in financing activities and stock trading business(if any)	No				

Whether or not the Company's top 10 common shareholders and top 10 common shareholders with unrestricted shares promise to buy back trading during the report period

Yes No

There are no top 10 common shareholders and top 10 common shareholders with unrestricted shares in the Company promise to buy back trading during the report period.

2) The total number of the preferred shareholders and top 10 preferred shareholders at the end of the report period

Available Not available

III Major Issue

1. Situation and reason of change in major financial data and financial index during the report period

Available Not available

Compared the end of the report period with the beginning of the report period: Monetary fund increased by 14.28%, mainly due to the reduce in cash outflow for investment activities and increase in bank deposit. Notes receivable increased by 64.09%, mainly due to increased amount of bank acceptances. Advance payment decreased by 55.58%, mainly due to the decrease in advance payment for raw material procurement. Interest receivable increased by 39.65%, mainly due to the increased interest of bank term deposits. Non-current liabilities due within one year increased by 21.39%, mainly due to the transfer of long-term account payable.

Compared with the same period of last year: operating revenue decreased by 7.57%, which was caused by four reasons. Firstly, in order to implement the strategy of “Focus on high quality, Focus on mid-to-high end and Focus on big product”, the prices of low-end wines were raised at the end of November 2018. Due to the pressure-bearing process of the market, the low-end wines have fallen sharply. Secondly, due to aging of products as well as relatively concentrated markets, the low-end brandy has shown a downward trend since last year. However, the growth of mid-to-high-end brandy is not enough to make up for the decline of low-end brandy. Thirdly, the sales policy of imported wines has further focused on the acquisition brands including Kilikanoon and Indomita etc, which results in a decline in non-acquisition brands in imported wines and drags down the overall growth of imported wines. Fourthly, listed company adjusted about 20% of provincial managers and marketing personnel in February, which also had a certain impact on current indicators.

Compared with the same period of last year: sales expense decreased by 14.9%, mainly due to decrease in advertising expense. Financial expense decreased by 156.04%, mainly due to offset of financial expense by received loan with discounted interest. Net profit attributable to parent company decreased by 4.81%, mainly due to decrease in income. Net cash flow from operating activities decreased by 41.91%, mainly due to reduce in received cash of selling products and providing service. Cash inflow from investment activities increased by 9064.93%, mainly due to increase in withdrawal of fixed term deposit. Cash outflow for investment activities decreased by 73.86% and net cash flow from investment activities increased by 79.14%, mainly due to the reduce in the cash paid for purchasing fixed term deposit. Net increase in cash and cash equivalents increased by 24149.03%, mainly due to reduce in cash outflow for investment activities.

2. Analysis explanation of major issue’s process, influence and solution

Available Not available

Implementation progress of share repurchase

Available Not available

Implementation progress of reducing or repurchasing shares by the way of centralized bidding

Available Not available

3. The commitments that the Company's actual controllers, shareholders, related parties, purchasers, the Company and other related parties do not implement completely exceeding the time limit within 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 the initial public offering or refinancing	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Permanent	Has been fulfilling the commitment
	Yantai Changyu Group Co., Ltd.	Define the use of trademark fee	According to <i>Trademark License Contract</i> , the annual trademark use fee of trademarks including “张裕” (Changyu) paid by the Company to Yantai Changyu Group Co., Ltd. should be mainly used by Yantai Changyu Group Co., Ltd. to publicize trademarks	1997.05.18	Permanent	According to <i>Trademark License Contract</i> , the annual trademark use fee charged by Yantai Changyu Group Co., Ltd. should be mainly used to publicize trademarks including “张裕” (Changyu) and contractual products. Except the period from 2013 to 2017 when Yantai

			including “张裕” (Changyu) and contractual products.			Changyu Group Co., Ltd. didn't strictly fulfill the commitment, Yantai Changyu Group Co., Ltd. has been fulfilling the commitment.
Equity incentive commitments						
Commitments made to the minority shareholders of the Company	-		-		-	-
Commitment under timely implementation or not	No					
For commitments that exceed the time limit and are not completed, specific reasons of not completing the implementation and the next step	<p>According to <i>Trademark License Contract</i> (hereafter referred to as “this Contract”), Changyu Group promised that the annual trademark use fee paid by the Company to Changyu Group would be mainly used by Changyu Group to publicize these trademarks and contractual products. However, the above-mentioned "mainly" is not a specific number. During the implementation process, due to inconsistent understanding, it is easy to cause divergence and leads to problems.</p> <p>Changyu Group totally charged trademark use fee of CNY420,883,902 from 2013 to 2017. Based on this Contract, the amount (51% of trademark use fee) used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract should be CNY214,650,790, compared to which, the amount that has already been used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract is CNY50,025,181 with a balance of CNY164,625,609. In addition, Changyu Group totally charged 2017 annual and 2018 annual trademark use fee of CNY155,623,907 in 2018 and 2019. Based on This Contract, the amount (51% of trademark use fee) used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract should be CNY79,368,193, compared to which, the amount that has already been used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in This Contract is CNY12,225,187 with a balance of CNY67,143,006.</p> <p>From 2013 to now, the total balance of trademark use fee used for publicity of trademarks including “张裕” (Changyu) and contractual products involved in this Contract is CNY231,768,615.</p> <p>Changyu Group promised that Changyu Group would use the trademark use fee that would be charged for 2019 annual to 2022 annual to offset above-mentioned total balance. If it is not enough, the insufficient amount will be complemented for one time in 2023; if it is sufficient, Changyu Group will</p>					

	<p>begin to charge the excess trademark use fee from the year when there generates excess trademark use fee.</p> <p>If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc in order to implement the commitment.</p> <p>For detailed information, please refer to the Company's <i>Announcement of Commitment Issues of Yantai Changyu Group Co., Ltd</i> disclosed on April 4th, 2019.</p>
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4. Forecast on the operating performance in the period from January to June of 2019

Warning and explanation for the estimation on the possible loss of cumulative net profit in the period from the beginning of this year to the end of the next report period or the great change comparing with same period of last year.

Available Not available

5. Situation of security investment

Available Not available

There is no security investment during the report period.

6. Situation of derivative investment

Available Not available

There is no derivative investment during the report period.

7. The activities registration form of receptions, communication and interview etc. during the report period

Available Not available

There are no activities of receptions, communication and interview etc. during the report period.

8. Situation of illegal external guarantee

Available Not available

There is no illegal external guarantee during the report period.

9. Situation of non-operating fund occupation of controlling shareholders and related parties

Available Not available

There is no non-operating fund occupation of controlling shareholders and related parties during the report period.

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 27th 2019