



Yantai Changyu Pioneer Wine Co. Ltd.

2014 Semi-annual Report

2014-Final 02

August 2014

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I. Important Notice, Contents and Definition

The Board of Directors , the Board of Supervisors , directors, supervisors & senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the semi-annual report and there are no unfaithful facts, misleading statements or significant omissions.

All directors have personally attended the Board of Directors' meeting for deliberating the semi-annual report.

The Company has no plan to distribute cash dividends and bonus shares; capital reserve will not be transferred to equity in the semi-annual.

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

This semi-annual report involves in forward-looking statements about future plan etc. It bases mainly on the basic command of economic development trend of China and the judgment of several years of experience in this industry, with a great uncertainty. The Company does not give the investors tangible commitment, so the investors should be in a special attention, and choose wisely.

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
CNY	Refers to	Chinese Yuan

II、 Brief Introduction for the Company

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	-		
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	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English name	CHANGYU		
Legal Representative	Mr. Sun Liqiang		

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	0086-535-6633658	0086-535-6633656
Fax	0086-535-6633639	0086-535-6633639
E-mail	quwm@changyu.com.cn	stock@changyu.com.cn

3. Other information

1)、 The Company's contact information

Whether there is any change for the Company's registered address, office address, post code, website and e-mail address during the report period.

Available Not available

There is no any change for the Company's office address, post code, website and e-mail address during the report period, please see 2013 annual report for more details.

2)、 Information disclosure and filing Location

Whether there is any change for the information disclosure and filing location during the report

period.

Available Not available

There is no any change for the newspapers in which the Company's information is disclosed, website assigned by CSRC to carry the semi-annual report and the filing location during the report period, please see 2013 annual report for more details.

3)、Registration changes

Whether there is any change for the registration during the report period.

Available Not available

There is no any change for the company's registration date & place, business License No., tax registration No. and organization code during the report period, please see 2013 annual report for more details.

III、 Summary of Accounting Data and Financial Indicators

1. 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	In the report period	In the same period of last year	More or less than the same period of last year(%)
Business revenue (CNY)	2,301,990,248	2,539,378,234	-9.35%
Net profit attributed to the shareholders of the listed company (CNY)	638,041,311	740,574,221	-13.85%
Net profit attributed to the shareholders of the listed company after deducting the irregular profit and loss (CNY)	629,900,854	736,714,423	-14.50%
Net cash flows from the operating activities (CNY)	889,675,131	409,158,489	117.44%
Basic earnings (CNY) per share	0.93	1.08	-13.89%
Diluted earnings (CNY) per share	0.93	1.08	-13.89%
Return on net assets (%)	9.77%	11.79%	-2.02%
	At the end of the report period	At the end of last year	More or less than the end of last year
Total assets (CNY)	8,614,013,724	8,001,532,444	7.65%
Net Assets attributed to the shareholders of the listed company (CNY)	6,846,051,413	6,208,279,705	10.27%

2. Accounting data difference between domestic and foreign accounting standards

1)、 Difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and international accounting standards.

Available Not available

There is no difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and international accounting standards during the report period.

2)、Difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and foreign accounting standards.

Available Not available

There is no difference in net profit and net asset disclosed in the financial report under the PRC accounting standards and foreign accounting standards during the report period.

3. Details of irregular profit and loss

Available Not available

Unit: CNY

Item	Amount	Explanation
Gain on disposal of non-current assets, including the reversal of accrued impairment provision	-10,897	-
Tax refund or exemption that is either non-recurring or without proper approval	0	-
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)	8,772,080	-
Other non-operating expense and income	478,097	-
Less: Income tax effect	1,098,823	-
Total	8,140,457	-

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

IV、 Board of Directors' Report

1. Summarization

During the report period, under the influence of multiple factors, such as slowdown of domestic economic growth, overwhelming flow of foreign wine into Chinese market and the relative national policies and so on, the competition in the domestic wine industry was fierce, especially there was a great decline on the effective demands for the premium wines, which brought a strong pressure to the Company's production and operation. Facing quite a lot of external disadvantages, the Company insisted to focus on the market, in accordance with the trend of market development, adjust the marketing tactics and product structure in time, constantly perfect the marketing channels and promote product sales, so that to restrain the situation of decline in operating results. In the second quarter (April, May, June), rebound of main business income and net profit in different levels emerges, 14.86% and 6.23% respectively more than the same period in previous year; Based on this, the company realized business income of CNY 2301.99 million, 9.35% less than the same period in previous year; realized net profit of CNY 638.04 million, 13.85% less than the same period in previous year. Both decline range diminished, compared with those in the first quarter.

2. Analysis to main business

Period comparison of main financial data

Unit: CNY

	In the report period	In the same period of last year	More or less (%)	Reason for changes
Operating revenue	2,301,990,248	2,539,378,234	-9.35%	Mainly the decrease of sales revenue for the high-end chateau wine, comparing with the same period of last year.
Operating cost	754,302,386	759,692,089	-0.71%	Mainly the changes of sales products structure, the proportion of high-end products declining, the proportion of low grade products increasing, the increased price of raw material including grapes comparing with the same period of last year
Sales expense	486,481,030	584,280,630	-16.74%	According to the market situation, appropriately compressing marketing investment

Management expense	103,980,497	104,896,929	-0.87%	
Financial expense	-14,254,385	-13,607,053	-4.76%	
Income tax expense	210,241,876	244,475,516	-14%	Mainly decreasing of net profit, comparing with the same period of last year
R&D investment	5,436,054	5,342,521	1.75%	Mainly increasing of expenditure of R&D investment, comparing with the same period of last year
Net amount of cash flow generated in operating activities	889,675,131	409,158,489	117.44%	Mainly decreasing of cash outflow from various operating activities
Net amount of cash flow generated in investment activities	-240,974,464	-502,430,760	52.04%	Mainly the decrease of cash used to pay fixed deposit over 3 months
Net increased amount of cash and cash equivalents	648,662,711	-93,272,271	795.45%	Mainly increase of net amount of cash flow generated in operating and investment activities

Whether there is any great change for the Company's profit structure or profit source during the report period

Available Not available

There is no great change for the Company's profit structure or profit source during the report period.

Whether there is any future development and planning disclosed in the public Company's shares prospectus, collecting prospectus and asset restructuring report during the report period.

Available Not available

The Company does not disclose any future development and planning in the public Company's shares prospectus, collecting prospectus and asset restructuring report during the report period.

Review and summary of the progress situation during the report period of the company's business plan disclosed in earlier stage

During the report period, influenced by the abrupt change of market situation and the great recession on the demand for the premium wines, in order to deal with the unfavorable business environment, during the report period, the Company carried out the operation strategy of steady development in the middle 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 middle and high-end wines, the Company made an appropriate tilt on marketing resources to the low-level wines, brandy and imported wines with own brands for meeting the market demand, which effectively curb the decline on the business income. The main work in the report period is as following:

Firstly, to perfect sales system construction, strengthen the marketing process management. The Company has completed to reorganize and adjust all levels employees of sale team, set up additionally prefecture-level city managers, strengthen management of salesperson classification, perfect salesperson performance assessment method, which are better at arousing the motivation of salesperson; to set up middle-small restaurant direct-supplying management company and Lanzhou, Yinchuan and Xianyang direct-supplying company, further to expand direct-supplying business.; to clear up and simplify company's existing products system, making core products system which adapt to the future development much clearer; further to define major push for different kind of products, strengthen marketing pertinence; through constructing the market work regulation of contact point and examining sales terminal, to promote the full implementation and development of the marketing strategy named "move towards terminal".

Secondly, to continue the propulsion of informatization construction and management innovation. The Company has completed the projects of the first and second phase of SAP system. SAP system has been taken comprehensive on-line operation during the report period. Focusing on the future development goals and the urgent and significant problems to solve on management, production, technology and marketing, the Company proposed and completed over 279 items of innovation and reasonable projects, which brought the

related works and management level to a new step.

Thirdly, to reinforce the management of cost and expense, making great efforts to improve economic benefits. The Company has enforced the assessment of input-output ratio of advertisement fee and capital occupation in the bulk wine, packing material and finished goods, so that to reduce capital occupation and increase the efficiency and effectiveness in the use of funds; has compressed production cost expense through the measures of centralized purchasing, packaging improvements, packaging simplification, and cancelling commissioned processing, which helped to reduce per ton of wine cost, and increase economic benefits.

Fourthly, to accelerate the research and development (R&D) of new technology, new procedure, new products, steadily promote the construction of technological renovation projects. The Company increased the input intensity of technology projects, strengthened R&D ability, and completed to declare 3 items of scientific and technological achievements in state, provincial and city level, and one item patent; By means of strict implementation of special audit and third-party supervision to construction projects, projects' quality, investment scale and construction progress have been controlled preferably, and the main investment projects went well.

During the second half year of 2014, the Company will mainly fulfill the following work and measures as follows:

Firstly, persist to drive the innovation of sales modes, strengthen to develop and control sales terminal. The Company will optimize the current sales mode of dealers as the main part, properly enlarge the scale of delivery dealers and direct trade, insist to the working system of contact point markets which are managed by company's leaders, step up the development of sales terminal and management intensity, and accelerate to promote the moving terminal management system construction, which will provide technology supports and examination approach for terminal work and making great efforts to grasp the products initiative in terminal sales.

Secondly, continue to reinforce the management of cost expenses, improve effects in the use of funds. The company strengthens to budget management and refine assessment items, simplify products' packing, come into full effects of tray transportation, expand centralized purchasing of raw material, optimize pricing model of purchasing grapes price etc, intensify the management control of main cost expenses in production cost and sales expenses, increase the effect in the use of funds, add company benefit.

Thirdly, ensure steady progress of investment projects, optimize the production structure, enlarge production capacity and upgraded management level. In the light of 2014 capital expenditure plan's

schedule, the Company steadily promote investment projects construction, strictly control the project schedule and the investment budget, ensure good quality and construction safety of engineering, lay a solid foundation for further improving production capacity and optimizing productivity structure; accelerate implement and propulsion of SAP, reinforce the training of related staffs, improve preferably the Company's management level and control ability by means of modern information technology.

Fourthly, to reinforce the management of the vineyard bases, perfect the work on grape purchase, the Company will make further definition to the duty and division of administrators at all-levels vineyards and grapes planters, strengthen the training and assessment of grape planters, reinforce to guide and manage vineyards on site, encourage to popularize the mechanized farming, improve grape quality and reduce the cost of raw materials; accomplish grape purchasing plans and implementation scheme, organize and deploy internal resources scientifically, guarantee both quality and quantity to complete acquisition grapes, ensure sufficient and quality grape material supply.

3. Structure of main businesses

Unit: CNY

	Operating revenue	Operating cost	Gross profit (%)	Increase or decrease of operating revenue over the same period of last year (%)	Increase or decrease of operating cost over the same period of last year (%)	Increase or decrease of gross profit over the same period of last year
Sector						
Wine and alcoholic beverages	2,295,163,767	748,344,147	67.39%	-9.44%	-1.26%	-2.70%
Product						
Wine	1,765,168,335	553,653,304	68.63%	-9.28%	4.52%	-4.14%
Brandy	467,055,981	158,456,974	66.07%	-4.69%	-6.24%	0.56%
Sparkling wine	20,570,297	13,653,755	33.62%	2.01%	8.01%	-3.69%

Other	42,369,154	22,580,114	46.71%	-45.95%	-51.50%	6.10%
Region						
Eastern Region	1,953,179,965	628,664,664	67.81%	-9.56%	-1.42%	-2.66%
Middle Region	233,339,819	82,589,404	64.61%	-8.39%	-0.67%	-2.75%
Western Region	108,643,983	37,090,079	65.86%	-9.56%	0.08%	-3.29%

4. Analysis to 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, both “Changyu” and “Jiebaina” 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 dealers, 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 the 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 Sha’anxi, 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.

5. Analysis to investments

1)、Situation for equity investment abroad

① Situation for investment abroad Available Not available

During the report period, the company did not have investment abroad.

② Situation for holding equity of financial enterprises Available Not available

During the report period, the company did not hold any equity of financial enterprises.

③ Situation for security investment Available Not available

During the report period, there were no security investments.

2)、Trust management, derivatives investment and entrusted loans**① Situation for trust management** Available Not available

During the report period, the company did not have trust management.

② Situation for derivatives investment Available Not available

During the report period, the company did not have derivatives investment.

③ Situation for entrusted loans Available Not available

During the report period, the company did not have entrusted loans.

3)、Use of raised capital**① Use of total raised capital** Available Not available**② Commitment item of raised capital** Available Not available**③ Variation item of raised capital** Available Not available

During the report period, there were no commitment item of raised capital happened.

④ Item of raised capital

In the past three years, the Company did not raise capital through issuing stocks or bonds, also there were no raised capital continuing to the report period.

4)、Analysis to the major subsidiaries and joint stock companies Available Not available

Information about the major subsidiaries and joint stock companies

Unit: CNY

Company name	Company type	Industry	Main products or services	Registered capital	Total assets	Net asset	Business revenue	Operating profit	Net profit
Yantai Changyu-Castel Wine Chateau Co. LTD.	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell wine and sparkling wine as well as the tourism service	USD 5 million	281,027,978	83,305,969	38,866,996	4,304,385	3,099,755
Langfang Castel-Changyu Wine Co. LTD.	Joint stock company	Wine and alcoholic beverages industry	To produce and sell wine	USD 6,108,818	57,539,508	47,192,412	26,943,014	278,873	221,457
Yantai Kylin Packaging Co. LTD.	Subsidiary	Packaging industry	To produce and sell packaging material	CNY 15.41 million	69,018,458	25,737,428	33,965,786	1,658,705	1,247,891
Beijing Chateau Changyu AFIP Global	Subsidiary	Wine and alcoholic beverages industry	To research, produce and sell brandy and wine	CNY 110 million	695,174,432	77,053,340	51,140,545	-9,040,788	-9,145,407
Chateau Liaoning Changyu Ice Wine Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To produce ice wine	CNY 26.30 million	87,354,495	58,514,577	16,805,693	-4,614,383	-4,607,180
Xinjiang Tianzhu Winery Co., Ltd.	Subsidiary	Wine and alcoholic beverages industry	To plant grape, produce and sell grape juice, bulk wine and fruit wine	CNY 75 million	192,284,733	159,336,889	31,963,458	-2,703,625	-2,703,224

5)、 Important projects financed with non-raised capital

 Available Not available

Unit: CNY'0000

Project Name	Total Planned Investment	Investment in the report period	Actual accumulation investment until the end of the report period	Project progress	Project benefits
Construction of Changyu Reina Chateau Sha'anxi	31,074	7,917	36,917	98%	Facilities have been completed and put into production.

Construction of Chateau Moser XV Ningxia	24,415	2,800	26,800	97%	Facilities have been completed and put into production.
Construction of Changyu Baron Balboa Chateau XinJiang	23,343	1,876	28,876	98%	Facilities have been completed and put into production.
Construction of Changyu International Wine City blending and cooling Center	65,331	11,000	38,000	55%	0
Construction of Changyu International Wine City Bottling Center	46,736	3,000	28,500	60%	0
Construction of Changyu International Wine City Logistics Center	12,095	2,295	8,095	65%	0
Construction of Changyu Vine and Wine Research Institute	20,000	5,000	8,200	40%	0
Construction of Treasure Wine Chateau	14,545	6,940	9,545	65%	0
Investment in landscaping	5,000	1,394	2,487	50%	0
Construction of pioneer franchised store	10,000	1,661	1,661	15%	0
Total	252,539	43,883	189,081	--	--
Inquiry index in the designated website disclosed in the temporary announcement	No				

6. Forecast for the operation achievements from January to September of 2014

Caution and explanation for the prediction that the cumulative net profit from the beginning of the year to the end of next report period could be in a loss or there will be in a great change comparing with the same period of last year.

Available Not available

7. Explanation from the board of directors and the board of supervisors for the “Non-standard Audit Report” issued by the accountant firm

The financial report of the semi-annual report is not audited by the accountant firm.

8. Explanation from the board of directors for the “Non-standard Audit Report” of last year

Available Not available

9. Implementation of profit distribution during the report period

The implementation or adjustment for the profit distribution policies during the report period,

especially the cash dividend plan and the scheme of increasing equity with capital reserve.

Available Not available

On July 5, 2014, the Company disclosed the Announcement of Dividend Distribution for the year 2013, according to which the Company would take the total capital stock 685,464,000 shares at that time as a cardinal number to distribute CNY 5 in cash for per 10 shares to all stockholders (tax included. After deduction of taxes, as to Stock A, QFII, RQFII as well as the individuals holding the restricted reform-related shares and the restricted new shares and the investment fund holders would enjoy CNY 4.5 per 10 shares. The differential dividend tax rates would be adopted for the individuals holding the non-restricted reform-related shares, the non-restricted new shares and the unlimited shares and the investment fund holders, CNY 4.75 for per 10 shares in advance and afterwards depending on the investors' reduction of shares, making up the difference according to the actual shares held on the equity registration day. As to the non-resident enterprises other than QFII and RQFII, the Company would neither withhold nor pay the income tax on their behalf but the taxpayers should pay the tax in the place where the income is received. As to Stock B, the non-resident enterprises would enjoy cash dividend CNY 4.5 for per 10 shares. The differential dividend tax rates would be adopted for the inland (overseas) individual stockholders, CNY 4.75 for per 10 shares in advance and afterwards depending on the investors' reduction of shares, making up the difference according to the actual shares held on the equity registration day.)

The share registration day of A Stock was on July 10, 2014 and the ex-dividend day was on July 11, 2014.

The last trading day of B Stock was on July 10, 2014, the share registration day was on July 15, 2014 and the ex-dividend day was on July 11, 2014.

The cash dividend for Stock A holders that the company entrusted China Securities Depository and Clearing Corporation Limited Shenzhen Company to distribute was directly transferred to their accounts via securities service company (or other depository department) on July 11, 2014. The cash dividend for Stock B holders was directly transferred to their accounts via securities service company or other depository department on July 15, 2014. The cash dividend enjoyed by Yantai Changyu Group Co., Ltd. was directly paid by the Company at the same time.

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 and amending the cash dividends	Yes

distribution policy.	
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10. Preliminary schemes of profit dividend and increasing equity with capital reserve during the report period

Available Not available

There is no schemes of paying cash dividend, bonus share and increasing equity with capital during the semi-annual period.

11. the Company's Receptions, Studies and Visits

Reception time	Reception place	Reception way	Type of reception object	Reception object	Main discussed contents and the information provided
2014.05.20	Meeting room of the Company	Field survey	Institution	Shuai hu from China International Fund Management Co., Ltd. Chen yu from AEGON-INDUSTRIAL Fund Management Co., Ltd. Cao Liyan from BOC international (China) Limited	current business operation situation and other issues

V、Major Issues

1. 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*”, and also other laws and rules , constantly improved its legal entity structure, legally conducted its activities. Currently, the Company’s corporate governance is in compliance with the Company Law and the relevant provisions of China Securities Regulatory Commission.

2. Material litigation and arbitration

available not available

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

3. Media’s doubts

available not available

There are no common doubts issued by Media during the report period.

4. Bankruptcy reorganization

available not available

There are no related issues of bankruptcy reorganization happened during the report period and until the report period.

5. Transaction in Assets

1)、Acquisition of assets

available not available

There is no acquisition of assets during the report period and until the report period.

2)、Assets for sale

available not available

There are no assets for sale during the report period and until the report period.

3)、Business merger

available not available

There are no business merger happened in the report period and until the report period.

6. Implementations and influences of Company's equity incentive

available not available

There are no plans and implementations of Company's equity incentive during the report period.

7. Important 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 (%)	Settlement method of related transaction	Market price of securable same transaction	Date of disclosure	Disclosure index
Yantai Changyu Wine Culture Museum Company	Under the same Parent Co.	Purchasing commodities	Purchasing liquor products' derivatives	On the base of market price, negotiated pricing	Agreement price	253.6	0.34%	Cash	—	2014.04.26	http://www.cninfo.com.cn/information/companyinfo.html
Yantai Changyu Window of Wine City Co.	Under the same Parent Co.	Purchasing commodities	Purchasing liquor products' derivatives	On the base of market price, negotiated pricing	Agreement price	26.9	0.04%	Cash	—	2014.04.26	
Yantai Shenma Packaging Co.	Under the same Parent Co.	Purchasing commodities	Purchasing packing	On the base of market price, negotiated pricing	Agreement price	6,098.2	8.08%	Cash	—	2014.04.26	

			materials	negotiated pricing						
Yantai Changyu Zhongya Medicine & Healthy Liquors Co., Ltd	Under the same Parent Co.	Purchasing commodities	Purchasing liquor products	On the base of market price, negotiated pricing	Agreement price	117.6	0.16%	Cash	—	2014.04.26
Yantai Wine Culture Museum Company	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price, negotiated pricing	Agreement price	342.6	0.15%	Cash	—	2014.04.26
Yantai Window of Wine City Co.	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price, negotiated pricing	Agreement price	434.9	0.19%	Cash	—	2014.04.26
Yantai Zhongya Medicine & Healthy Liquors Co., Ltd	Under the same Parent Co.	Selling commodities	Selling liquor products	On the base of market price, negotiated pricing	Agreement price	42.7	0.02%	Cash	—	2014.04.26
Yantai Changyu Parent Co.		Leased assets	Leasing storage	On the base of	Agreement	292.9	0.14%	Cash	—	2014.04.26

Group Co. Ltd.			and housing	market price, price						
				negotiated pricing						
Yantai Changyu Group Co. Ltd.	Parent Co.	Intangible assets licensed use	Permission to use the trademark	On the base of market price, price negotiated pricing	Agreement price	4,341.3	100%	Cash	—	2014.04.26
Yantai Changyu Group Co. Ltd.	Parent Co.	Intangible assets licensed use	Permission to use patents	On the base of market price, price negotiated pricing	Agreement price	2.5	100%	Cash	—	2014.04.26
Total						11,953.2	—			
The details of the large sales returns				No						
The total amount of the transaction will be expected according to its category and its actual performance during the report period				No						
The reasons of big differences between the transaction price and the market reference price				No						

2)、 Related transactions in asset procurement and sale

available not available

There are no related transactions in asset procurement and sale during the report period.

3)、 Important related transactions in joint external investment

available not available

There are no important related transactions in joint external investment during the report period.

4)、 Record of related credits and liabilities

available not available

Whether there is a record of non-operating related credits and liabilities.

Yes No

There is no record of non-operating related credits and liabilities.

5)、 Other important related transactions

available not available

There are no other important related transactions in the report period.

8. Controlling shareholder and related party in funds occupation situation of non-operating of the Listed Company

available not available

There are no situation in controlling shareholder and related party in funds occupation of non-operating of the Listed Company.

9. Major and important contracts and execution results

1)、Trusteeship, contract and leasehold issues

① Trusteeship situation

available not available

There are no trusteeships happened during the report period

② Contract situation

available not available

There are no contract situation happened during the report period.

③ Leasehold situation

available not available

Leasehold situation explanation

On 1st January 2012, the Company set out the house leasing contract with the Parent company. On the basis of this agreement, The Company leased property of the Parent company as business purpose from 1st January,2012, The rent per year is CNY 5.858 million, the valid date of this contract expires to 31st December 2016. From January to June of 2014, the Group Company ensures the rent of the Parent company amount to CNY 2.929 million.

In January to June, 2016, the leasing between the Group Company and related parties takes up 28.25% of Group company's leasehold fee.

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

available not available

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

2)、Guarantee situation

available not available

There are no guarantees situation during the report period.

Violation situation of external guarantee

available not available

There is no violation situation of external guarantee during the report period.

3)、Other important contracts

available not available

There are no other important contracts during the report period.

4) Other substantial transaction

available not available

There is no other substantial transaction during the report period.

10. The commitments of the Company or shareholders of the Company holding more than 5% during the report period or until the report period

available not available

Commitments	Commitment Party	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform	-	-	2006.03.11	3 years	has been fulfilled
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	According to "Trademark License Contract", 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 to advertise Changyu trademarks and the Contract products.	1997.05.18	Forever	In-process performed
	Yantai Changyu Group Co, Ltd	Non Intra-industry competition	1997.05.18	Forever	Has been performed
Commitments made to the minority shareholders of the Company	-	-		-	-
Commitment under timely implementation or not	Yes				
Specific reasons of not completing the implementation and the next step	No				

11. The appointment and dismissal of certified public accountants

Yes No

The Company will continue to appoint Deloitte HuaYong certified public accountants CO., LTD (Special General Partnership) as the audit authority in 2014 with term employment period of one year.

Whether or not semi-annual financial report has been audited.

Yes No

12. Punishment and rectification

available not available

There is no punishment and rectification situation happened during the report period.

13. Withdrawal risk revelation of violating laws and rules

available not available

There is no withdrawal risk revelation of violating laws and rules during the report period.

14. Explanation for other significant matters

available not available

There are no other significant matters during the report period.

VI、Changes in Shares and the Shareholders' Situation

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 %
2、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%
3、Total shares	685,464,000	100%						685,464,000	100%

Cause of share change

 available not available

Approval of stock change

 available not available

Transfer of changed shares

 available not available

The influence of stock 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 stock holders, etc..

 available not available

Other contents which the Company thinks necessarily or securities regulatory departments claim to disclose.

 available not available

Changes situation in the Company's total shares, structure of shareholders, the Company's assets and liabilities

 available not available

2. The number of shareholders of the Company and the shareholdings

Unit: share

Total shareholders in the report period		Total 47385 36242 shareholders of A share 11143 shareholders of B share						
Shareholders holding more than 5% or become a top 10 shareholders.								
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	50.40%	345,473,856	0	0	345,473,856	-	0
GAOLING FUND,L.P.	Foreign shareholder	3.53%	24,176,997	0	0	24,176,997		0
GIC PRIVATE LIMITED	Foreign shareholder	2.69%	18,456,155	-764,818	0	18,456,155		0
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign shareholder	2.35%	16,106,326	0	0	16,106,326		0
GSIC A/C MONETARY AUTHORITY OF SINGAPORE	Foreign shareholder	0.89%	6,085,399	-16,541	0	6,085,399		0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign shareholder	0.68%	4,651,666	-55,400	0	4,651,666		0
BBH S/A FIDELITY FUNDS SICAV-HEALTH CARE	Foreign shareholder	0.63%	4,306,656	-284,826	0	4,306,656		0
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	Foreign shareholder	0.62%	4,280,146	-1,686,735	0	4,280,146		0
NORGES BANK	Foreign shareholder	0.61%	4,171,564	2,483,576	0	4,171,564		0
FIDELITY CHINA SPECIAL SITUATIONS PLC	Foreign shareholder	0.55%	3,779,202	0	0	3,779,202		0
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders	No							
The explanation for the associated relationship and accordant action 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.							
The top 10 shareholders with unrestricted shares								

Name of Shareholders	Number of unrestricted shares held until the end of the report period	Type of share	
		Type of share	Amount
YANTAI CHANGYU GROUP CO., LTD.	345,473,856	A share	345,473,856
GAOLING FUND,L.P.	24,176,997	B share	24,176,997
GIC PRIVATE LIMITED	18,456,155	B share	18,456,155
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	16,106,326	B share	16,106,326
GSIC A/C MONETARY AUTHORITY OF SINGAPORE	6,085,399	B share	6,085,399
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,651,666	B share	4,651,666
BBH S/A FIDELITY FUNDS SICAV-HEALTH CARE	4,306,656	B share	4,306,656
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	4,280,146	B share	4,280,146
NORGES BANK	4,171,564	B share	4,171,564
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 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 is not involved in financing activities and stock trading business.		

Whether or not to be agreed to buy back trading by Company shareholders during the report period

Yes No

There is no agreed to buy back trading by Company shareholders during the report period.

3. Controlling shareholder or changes of the actual controllers situation

Changes of the controlling shareholder during the report period

available not available

There is no any change of the controlling shareholder during the report period.

Changes of the actual controllers during the report period

available not available

There is no any Change of the actual controllers during the report period

4. Company's shareholders and Consistent behavior person offer or carry out the plan of increasing rights issue during the period.

available not available

In the context of Company known, Company's shareholders and Consistent behavior person did not offer or carry out the plan of increasing rights issue during the period.

VII Relative situation for preferred Shares

1. Issue and listing situation for preferred shares during the report period.

available not available

2. Situation for number and share holding of preferred shares shareholders

available not available

3. Situation for buy-back or conversion of preferred shares

1)、 Situation for preferred shares buy-back

available not available

2)、 Situation for preferred shares conversion

available not available

4. Situation for recovering and performing of preferred shares voting right

available not available

5. Accounting policy adopted in preferred shares and justification

available not available

VIII、 Situation for Directors, Supervisors, Senior Management

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

available not available

There are no any change in shareholdings of directors, supervisors and senior management during the report period, details see 2013 annual report

2. Personnel changes in Company's directors, supervisors and senior management

available not available

Name	Post	Type	Date	Reason
Jean Paul Pinard	Director	Leave his post	2014.05.23	Work changes
Dai Hui	Director	Appointment	2014.05.23	Elected by the shareholders' meeting of 2013
Wang Zhuquan	Independent Director	Appointment	2014.05.23	Elected by the shareholders' meeting of 2013

IX、 Financial Report

1. Audit report

Whether the biannual report has been audited

Yes No

2. Financial statement

The unit in the statement of the financial annotations is RMB Yuan.

2.1 Consolidated balance sheet

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary fund	7.1	1,861,541,927	1,367,818,182
Settlement provisions			
Lending			
Trading financial assets			
Bills receivable	7.2	270,389,669	79,702,753
Accounts receivables	7.4	125,882,945	177,109,516
Advances to suppliers	7.6	12,631,073	45,997,863
Premium receivable			
Reinsurance accounts receivable			
Receivable reserves for reinsurance contract			
Interest receivable	7.3	6,478,263	8,417,995
Dividends receivable			
Other receivables	7.5	94,629,107	99,331,794
Buy-in/sell-out financial assets			
Inventories	7.7	1,763,353,132	2,121,117,437
Non-current asset expire in a year			
Other current assets			
Total current assets		4,134,906,116	3,899,495,540
Non-current assets:			

Item	Note	Ending balance	Beginning balance
Offering loans and imprest			
Available for sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	7.8		
Investment real estate			
Property, plant and equipment	7.9	1,983,240,508	1,917,641,344
Construction in progress	7.10	1,688,554,603	1,423,654,530
Construction materials			676,539
Fixed assets disposal			
Biological assets	7.11	123,118,338	101,794,515
Oil and gas assets			
Intangible assets	7.12	299,188,896	296,129,754
Development expenditure			
Goodwill	7.13	13,112,525	13,112,525
Long-term prepaid expense	7.14	176,253,868	165,521,803
Deferred tax assets	7.15	170,919,442	158,533,090
Other non-current assets	7.17	24,719,428	24,972,804
Total non-current assets		4,479,107,608	4,102,036,904
Total assets		8,614,013,724	8,001,532,444
Current liabilities:			
Short-term loan	7.18	243,170,674	243,170,674
Borrowings from the Central Bank			
Customer and interbank deposits			
Borrowing funds			
Trading of financial liabilities			
Bills payable	7.19	1,670,000	5,765,694
Accounts payables	7.20	260,590,660	258,116,331
Advances from customers	7.21	297,711,405	188,651,254
Sales/buyback financial assets			
Payable handling fees and commission			
Employee benefits	7.22	131,853,776	134,322,137
Taxes payable	7.23	63,377,377	194,413,430
Interest payable	7.24	4,279,802	2,152,059

Item	Note	Ending balance	Beginning balance
Dividends payable			
Other payables	7.25	502,406,987	497,301,630
Dividend payable for reinsurance			
Reserves for insurance contracts			
Acting trading securities			
Acting underwriting securities			
Non-current liability expire in a year			
Other current liabilities	7.26	12,545,801	12,915,801
Total current liabilities		1,517,606,482	1,536,809,010
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term accounts payable			
Special accounts payable			
Estimated liabilities			
Deferred tax liabilities	7.14	5,336,115	5,336,115
Other non-current liabilities	7.27	82,278,935	88,366,835
Total non-current liabilities		87,615,050	93,702,950
Total liabilities		1,605,221,532	1,630,511,960
Owner's equity (or shareholders' equity):			
Paid-in capital (or capital stock)	7.28	685,464,000	685,464,000
Capital surplus	7.29	563,139,042	563,139,042
Minus: treasury stock			
Special reserves			
Surplus reserve	7.30	342,732,000	342,732,000
General risk preparation			
Retained earnings	7.31	5,254,985,974	4,616,944,663
Converted difference in foreign currency statements		-269,603	
Total owner's equity attributable to the parent company		6,846,051,413	6,208,279,705
Minority interests		162,740,779	162,740,779
Total owner's equities (or shareholders' equities)		7,008,792,192	6,371,020,484
Total liabilities and owner's equities (or shareholders' equities)		8,614,013,724	8,001,532,444

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.2 Balance sheet of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary fund		850,751,619	602,444,243
Trading financial assets			
Bills receivable		150,131,330	32,594,381
Accounts receivables	15.1		1,600,968
Advances to suppliers		2,418,842	24,824,672
Interest receivable		6,478,263	8,417,995
Dividends receivable		752,595,884	752,595,884
Other receivables	15.2	3,374,503,872	3,709,583,949
Inventories		681,914,073	781,284,189
Non-current asset expire in a year			
Other current assets			
Total current assets		5,818,793,883	5,913,346,281
Non-current assets:			
Available for sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	15.3	1,048,208,923	1,048,208,923
Investment real estate			
Property, plant and equipment		416,731,108	425,294,116
Construction in progress		650,821	269,802
Construction materials			
Fixed assets disposal			
Biological assets		75,047,957	60,851,409
Oil and gas assets			
Intangible assets		77,953,293	79,139,831
Development expenditure			
Goodwill			
Long-term prepaid expense			
Deferred tax assets		18,394,100	22,956,747
Other non-current assets		2,464,762	2,616,525
Total non-current assets		1,639,450,964	1,639,337,353

Item	Note	Ending balance	Beginning balance
Total assets		7,458,244,847	7,552,683,634
Current liabilities:			
Short-term loan		243,170,674	243,170,674
Trading of financial liabilities			
Bills payable			
Accounts payables		155,823,881	166,453,563
Advances from customers			
Employee benefits		82,441,312	69,032,912
Taxes payable		-2,740,970	37,578,670
Interest payable		4,279,802	2,152,059
Dividends payable			
Other payables		1,481,112,201	1,612,596,521
Non-current liability expire in a year			
Other current liabilities		2,559,227	2,559,227
Total current liabilities		1,966,646,127	2,133,543,626
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term accounts payable			
Special accounts payable			
Estimated liabilities			
Deferred tax liabilities			
Other non-current liabilities		20,995,849	22,275,462
Total non-current liabilities		20,995,849	22,275,462
Total liabilities		1,987,641,976	2,155,819,088
Owner's equity (or shareholders' equity):			
Paid-in capital (or capital stock)		685,464,000	685,464,000
Capital surplus		557,222,454	557,222,454
Minus: treasury stock			
Appropriative reserve			
Surplus reserve		342,732,000	342,732,000
General risk preparation			
Retained earnings		3,885,184,417	3,811,446,092
Converted difference in foreign currency statements			
Total owner's equities (or shareholders' equities)		5,470,602,871	5,396,864,546
Total liabilities and owner's equities (or shareholders' equities)		7,458,244,847	7,552,683,634

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.3 Consolidated profit statement

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Revenue		2,301,990,248	2,539,378,234
Including: Operating income	7.32	2,301,990,248	2,539,378,234
Interest income			
Earned premium			
Handling fees and commission income			
2. Total operating costs		1,462,946,341	1,558,864,572
Including: Operating costs	7.32	754,302,386	759,692,089
Interest expenditure			
Handling fees and commission expenditure			
Premium rebate			
Net amount of indemnity expenditure			
Net amount of insurance contract reserve fund withdrawal			
Policy bonus payment			
Amortized reinsurance expenditures			
Taxes and surcharges	7.33	132,436,813	123,601,977
Selling expenses	7.34	486,481,030	584,280,630
Administrative expenses	7.35	103,980,497	104,896,929
Financial expenses	7.36	-14,254,385	-13,607,053
Loss for impairment of assets			
Plus: Fair value charge profit (loss is listed with "-")			
Investment profit (loss is listed with "-")			
Including: investment profit for joint-run business and joint venture			
Exchange income (loss is listed with "-")			
3. Operating profit (loss is listed with "-")		839,043,907	980,513,662
Plus: Non-operating income	7.37	9,444,796	5,675,494
Minus: Non-operating expenses	7.38	205,516	1,139,419
Including: Losses on disposal of non-current assets		10,897	392,956
4. Total profits (total loss is listed with "-")		848,283,187	985,049,737

Minus: Income taxes	7.39	210,241,876	244,475,516
5. Net profit (net loss is listed with "-")		638,041,311	740,574,221
Including: Realized net profit of the consolidated party before consolidation			
Attributable to equity holders of the company		638,041,311	740,574,221
Minority interests			
6. Earnings per share		--	--
(1) Basic earnings per share	7.40	0.93	1.08
(2) Diluted earnings per share	7.40	0.93	1.08
7. Other Comprehensive Income	7.41	-269,603	
8. Comprehensive Income		637,771,708	740,574,221
(1) Attributable to equity holders of the company		637,771,708	740,574,221
(2) Attributable to minority interests			

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

Notes: Financial expenses concerning financial services shall be separately listed with exchange gains item.

2.4 Profit statement of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Note	Sum of current period	Sum of prior period
1. Revenue	15.4	689,897,279	715,083,136
Minus: Operating costs	15.4	565,744,989	585,109,268
Taxes and surcharges		75,738,343	61,432,785
Selling expenses			
Administrative expenses		49,958,367	59,247,136
Financial expenses		-10,409,383	-13,193,582
Loss for impairment of assets			
Plus: Fair value charge profit (loss is listed with "-")			
Investment profit (loss is listed with "-")	15.5	65,474,283	11,140,442
Including: Investment profit for joint-run business and joint venture			
2. Operating profit (loss is listed with "-")		74,339,246	33,627,971

Plus: Non-operating income		2,153,759	1,104,393
Minus: Non-operating expenses			86,189
Including: losses on disposal of non-current assets			
3. Total profits (total loss is listed with "-")		76,493,005	34,646,175
Minus: Income tax		2,754,680	5,741,996
4. Net profit (net loss is listed with "-")		73,738,325	28,904,179
5. Earnings per share		--	--
(1) Basic earnings per share		0.11	0.04
(2) Diluted earnings per share		0.11	0.04
6. Comprehensive Income			
7. Total comprehensive Income		73,738,325	28,904,179

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.5 Consolidated statement of cash flow

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Sum of current period	Sum of prior period
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	2,562,811,996	2,594,618,747
Net increase in customer and interbank deposits		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from receiving insurance premium of original insurance contract		
Net cash received from reinsurance business		
Net increase in policy holder deposits and investment funds		
Net increase in dealing with trading financial assets		
Cash received from collecting interest, handling fees and commission		
Net increase in borrowings		
Net increase in repurchasement business funds		

Item	Sum of current period	Sum of prior period
Tax refund received		17,998,725
Other cash received related to operating activities	8,348,936	45,571,455
Subtotal of cash flows of operating activities	2,571,160,932	2,658,188,927
Cash paid for goods and services	386,315,147	593,465,656
Net increase in customer loans and advances		
Net increase in deposits in central bank and interbank deposits		
Cash paid to original insurance contract payments		
Cash paid to interest, handling fees and commission		
Cash paid to policy bonus		
Cash paid to and on behalf of employees	177,188,827	224,792,482
Cash paid for taxes and expenses	784,526,070	979,129,937
Other cash paid related to operating activities	333,455,757	451,642,363
Sub-total of cash outflows of operating activities	1,681,485,801	2,249,030,438
Net cash flow from operating activities	889,675,131	409,158,489
2. Cash flow from investing activities:		
Cash received from return of investment		
Fixed deposit with the term of over 3 months	218,392,728	457,524,719
Cash received from obtaining investment profit	6,572,323	7,651,150
Cash received from disposal of fixed assets, intangible assets and other long-term assets	100	4,000
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
Subtotal of cash flows of investment activities	224,965,151	465,179,869
Cash paid to acquire fixed assets, intangible assets and other long-term assets	398,392,132	417,217,901
Cash for investment		
Cash paid to buy fixed deposit with the term of over 3 months	67,547,483	550,392,728
Net increase in hypothecated loan		
Net cash paid to acquire branch and other business unit		
Other cash paid related to investment activities		
Subtotal of cash outflows of investment activities	465,939,615	967,610,629

Item	Sum of current period	Sum of prior period
Net cash flow from investing activities	-240,974,464	-502,430,760
3. Cash flow from financing activities		
Cash received from acquiring investment		
Including: cash received from acquiring minority shareholders investment by branch		
Cash received from acquiring loans		
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal cash flows of financing activities		
Cash paid to pay debts		
Cash paid to distribute dividend, profit or pay interest		
Including: dividend and profit paid to minority shareholders by branch		
Other cash paid related to financing activities		
Subtotal of cash outflows of financing activities		
Net cash flow from financing activities		
4. Influences of exchange rate fluctuation on cash and cash equivalents	-37,956	
5. Net Increase in cash and cash equivalents	648,662,711	-93,272,271
Plus: balance at the beginning of the period of cash and cash equivalents	956,558,932	1,562,294,026
6. Balance at the end of the period of cash and cash equivalents	1,605,221,643	1,469,021,755

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.6 Statement of cash flow of the parent company

Compiling unit: Yantai Changyu Pioneer Wine Co., Ltd.

Unit: Yuan

Item	Sum of current period	Sum of prior period
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	457,521,916	653,588,149
Tax refund received		6,272,432

Item	Sum of current period	Sum of prior period
Other cash received related to operating activities	169,506,621	393,008,207
Subtotal of cash flows of operating activities	627,028,537	1,052,868,788
Cash paid for goods and services	200,573,384	310,853,962
Cash paid to and on behalf of employees	57,999,162	61,492,292
Cash paid for taxes and expenses	150,308,754	174,337,248
Other cash paid related to operating activities	16,542,221	27,978,590
Sub-total of cash outflows of operating activities	425,423,521	574,662,092
Net cash flow from operating activities	201,605,016	478,206,696
2. Cash flow from investing activities:		
Cash received from return of investment		
Fixed deposit with the term of over 3 months	218,392,728	457,524,719
Cash received from obtaining investment profit	72,046,606	51,330,749
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,000
Net cash received from disposal of branch and other business unit		
Other cash received related to investing activities		
Subtotal of cash flows of investment activities	290,439,334	508,859,468
Cash paid to acquire fixed assets, intangible assets and other long-term assets	25,546,521	36,895,124
Cash for investment		3,700,000
Cash paid to buy fixed deposit with the term of over 3 months	44,547,483	538,392,728
Net cash paid to acquire branch and other business unit		
Other cash paid related to investment activities		
Subtotal of cash outflows of investment activities	70,094,004	578,987,852

Item	Sum of current period	Sum of prior period
Net cash flow from investing activities	220,345,330	-70,128,384
3. Cash flow from financing activities		
Cash received from acquiring investment		
Cash received from acquiring loans		
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal cash flows of financing activities		
Cash paid to pay debts		
Cash paid to distribute dividend, profit or pay interest		
Other cash paid related to financing activities		
Subtotal of cash outflows of financing activities		
Net cash flow from financing activities		
4. Influences of exchange rate fluctuation on cash and cash equivalents		
5. Net Increase in cash and cash equivalents	421,950,346	408,078,312
Plus: balance at the beginning of the period of cash and cash equivalents	197,150,989	425,084,049
6. Balance at the end of the period of cash and cash equivalents	619,101,335	833,162,361

The Legal Representative: Sun Liqiang Accounting Supervisor: Leng Bin Accounting Department Manager: Jiang Jianxun

2.7 Consolidated owner's equity changing list

Unit: Yuan

Item	Sum of current period									
	Shareholders' equity of parent company								Minority stockholders' equity	Total shareholders' equity
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Others		
1. Balance at the end of last year	685,464,000	563,139,042			342,732,000		4,616,944,663		162,740,779	6,371,020,484
Plus: Accounting policies changing										
Previous error correction										
Others										
2. Balance at the beginning of this year	685,464,000	563,139,042			342,732,000		4,616,944,663		162,740,779	6,371,020,484
3. Increasing or reducing amount of this year (reducing amount is listed with "-")							638,041,311	-269,603		637,771,708
3.1 Net profits							638,041,311			638,041,311
3.2 Other Comprehensive Income								-269,603		-269,603
Subtotal of above 3.1 and 3.2							638,041,311	-269,603		637,771,708
3.3 Owners' invested and reduced capital										
3.3.1 Owners' invested capital										
3.3.2 Amount of shares paid and reckoned in owners' equity										
3.3.3 Others										
3.4 Profit distribution										
3.4.1 Drew surplus reserves										
3.4.2 Drew general risk preparation										
3.4.3 Distribution to owners (or shareholders)										
3.4.4 Others										
3.5 Internal transfer of owners' equity										

Item	Sum of current period									
	Shareholders' equity of parent company								Minority stockholders' equity	Total shareholders' equity
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Others		
3.5.1 Capital reserves transferred and increased capital (or capital stock)										
3.5.2 Surplus reserves transferred and increased capital (or capital stock)										
3.5.3 Surplus reserves covering deficit										
3.5.4 Others										
3.6 Special reserves										
3.6.1 Withdrawal of this period										
3.6.2 Usage of this period										
3.7 Others										
4. Balance at the end of this period	685,464,000	563,139,042			342,732,000		5,254,985,974	-269,603	162,740,779	7,008,792,192

Unit: Yuan

Item	Sum of current period									
	Shareholders' equity of parent company								Minority stockholders' equity	Total shareholders' equity
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Others		
1. Balance at the end of last year	685,464,000	562,139,042			342,732,000		4,322,769,136		146,381,009	6,059,485,187
Plus: Accounting policies changing										
Previous error correction										
Others										
2. Balance at the beginning of this year	685,464,000	562,139,042			342,732,000		4,322,769,136		146,381,009	6,059,485,187
3. Increasing or reducing amount of this year (reducing amount is listed with "-")		1,000,000					294,175,527		16,359,770	311,535,297

Item	Sum of current period									
	Shareholders' equity of parent company								Minority stockholders' equity	Total shareholders' equity
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Others		
3.1 Net profits							1,048,185,927			1,048,185,927
3.2 Other Comprehensive Income										
Subtotal of above 3.1 and 3.2							1,048,185,927			1,048,185,927
3.3 Owners' invested and reduced capital		1,000,000							16,359,770	17,359,770
3.3.1 Owners' invested capital									16,359,770	16,359,770
3.3.2 Amount of shares paid and reckoned in owners' equity										
3.3.3 Others		1,000,000								1,000,000
3.4 Profit distribution							-754,010,400			-754,010,400
3.4.1 Drew surplus reserves										
3.4.2 Drew general risk preparation										
3.4.3 Distribution to owners (or shareholders)							-754,010,400			-754,010,400
3.4.4 Others										
3.5 Internal transfer of owners' equity										
3.5.1 Capital reserves transferred and increased capital (or capital stock)										
3.5.2 Surplus reserves transferred and increased capital (or capital stock)										
3.5.3 Surplus reserves covering deficit										
3.5.4 Others										
3.6 Special reserves										
3.6.1 Withdrawal of this period										
3.6.2 Usage of this period										
3.7 Others										
4. Balance at the end of this period	685,464,000	563,139,042			342,732,000		4,616,944,663		162,740,779	6,371,020,484

2.8 Owner's equity changing list of the parent company

Unit: Yuan

Item	Sum of current period							
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Total owner's equity
1. Balance at the end of last year	685,464,000	557,222,454			342,732,000		3,811,446,092	5,396,864,546
Plus: Accounting policies changing								
Previous error correction								
Others								
2. Balance at the beginning of this year	685,464,000	557,222,454			342,732,000		3,811,446,092	5,396,864,546
3. Increasing or reducing amount of this period (reducing amount is listed with "-")							73,738,325	73,738,325
3.1 Net profits							73,738,325	73,738,325
3.2 Other Comprehensive Income								
Subtotal of above 3.1 and 3.2							73,738,325	73,738,325
3.3 Owners' invested and reduced capital								
3.3.1 Owners' invested capital								
3.3.2 Amount of shares paid and reckoned in owners' equity								
3.3.3 Others								
3.4 Profit distribution								
3.4.1 Drew surplus reserves								
3.4.2 Drew general risk preparation								
3.4.3 Distribution to owners (or shareholders)								
3.4.4 Others								
3.5 Internal transfer of owners' equity								
3.5.1 Capital reserves transferred and increased capital (or capital stock)								
3.5.2 Surplus reserves transferred and increased capital (or capital stock)								
3.5.3 Surplus reserves covering deficit								
3.5.4 Others								

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3.6 Special reserves								
3.6.1 Withdrawal of this period								
3.6.2 Usage of this period								
3.7 Others								
4. Balance at the end of this period	685,464,000	557,222,454			342,732,000		3,885,184,417	5,470,602,871

Unit: Yuan

Item	Sum of prior period							
	Paid-in capital (or capital stock)	Capital reserves	Minus: Treasury stock	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Total owner's equity
1. Balance at the end of last year	685,464,000	557,222,454			342,732,000		3,410,769,214	4,996,187,668
Plus: Accounting policies changing								
Previous error correction								
Others								
2. Balance at the beginning of this year	685,464,000	557,222,454			342,732,000		3,410,769,214	4,996,187,668
3. Increasing or reducing amount of this period (reducing amount is listed with "-")							400,676,878	400,676,878
3.1 Net profits							1,154,687,278	1,154,687,278
3.2 Other Comprehensive Income								
Subtotal of above 3.1 and 3.2							1,154,687,278	1,154,687,278
3.3 Owners' invested and reduced capital								
3.3.1 Owners' invested capital								
3.3.2 Amount of shares paid and reckoned in owners' equity								
3.3.3 Others								
3.4 Profit distribution							-754,010,400	-754,010,400
3.4.1 Drew surplus reserves								
3.4.2 Drew general risk preparation								
3.4.3 Distribution to owners (or shareholders)							-754,010,400	-754,010,400
3.4.4 Others								
3.5 Internal transfer of owners' equity								
3.5.1 Capital reserves transferred and								

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increased capital (or capital stock)								
3.5.2 Surplus reserves transferred and increased capital (or capital stock)								
3.5.3 Surplus reserves covering deficit								
3.5.4 Others								
3.6 Special reserves								
3.6.1 Withdrawal of this period								
3.6.2 Usage of this period								
3.7 Others								
4. Balance at the end of this period	685,464,000	557,222,454			342,732,000		3,811,446,092	5,396,864,546

3. Basic information of this company

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, sparkling wine, and tonic 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 and champagne.

Pursuant to the approval from the Government of Shandong Province (Luzheng [1997]119), the Company was reorganized as a joint stock limited company on April 10, 1997. On September 23, 1997, the Company was approved by China Securities Regulatory Commission (the “CSRC”) ([1997] No. 52) to issue 88,000,000 domestically listed foreign investment shares (“B shares”) on Shenzhen Stock Exchange. On September 18, 1997, the Company obtained the business license with the registered number No. 26718011-9.

In October 2000, the Company was approved by CSRC Zheng Jian Zi [2000] No.148 to issue 32,000,000 domestically listed Common Shares (“A Shares”). The A shares were listed on Shenzhen Stock Exchange on October 26, 2000.

Pursuant to the share reform notices issued by the Company in February 2006, Changyu Group Company transferred its 13,977,600 shares to the shareholders of A share of the Company. After the reform, percentage of equity attributable to Changyu Group Company decreased from 53.8% to 50.4%.

In June 2012, the Company gave additional 3 shares per 10 shares to all shareholders on the base number of total equity of 527,280,000 on December 31, 2011, totally increased capital stock of 158,184,000 shares. By June 30, 2014, the Company issued capital stock totally of 685,464,000 shares accumulatively.

The holding company of the Group is Changyu Group Company, which was ultimately controlled by Yantai Guofeng Investment Holding Company Limited, ILLVA Saronno Holding SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

4. Main accounting policies, accounting estimates and previous error

4.1. Basis of preparation of financial statement

The Group implements Chinese Accounting Standards (“CAS”) published by Ministry of Finance on February 15, 2006, guidelines and interpretations thereof and other regulations (generally called “Chinese Accounting Standards”). In addition, the Group also discloses relevant financial information in accordance with Information Disclosure and Preparation Rule for Enterprises Publicly Issuing Securities No.15 --- General Rules for Financial Statement (Revised in 2010).

Note-accounting Basis and Pricing Principle

The note-accounting basis of financial accounting adopted by the Group is accrual system and the measurement basis adopted by the Group in preparing its financial statement is historical cost. Subsequently, if the assets are impaired, impairment provisions are made in accordance with the relevant accounting standards.

4.2. Statement on compliance with CAS

The financial statements prepared by the Company fulfill the requirement of CAS and give a true and fair view of the financial position and the consolidated financial position of the Company and of the Group as at June 30, 2014, and of the operating results and the consolidated operating results and cash flows and the consolidated cash flows for January-June 2014.

4.3. Accounting year

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

4.4. Reporting currency

Since Renminbi (RMB) is the currency of the main economic environment in which the Company and the domestic subsidiary companies thereof are situated, the Company and the subsidiary companies thereof adopt RMB as the reporting currency. The overseas subsidiary companies thereof determine Euro as the reporting currency according to the main economic environment in which they are situated. The Group presentation currency is RMB.

4.5. Accounting treatment method for business combination under common control and non-common control

4.5.1 Business combination under non-common control

A business combination involving entities or businesses under non-common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the different party or same parties before and after the business combination.

The combination cost shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control on the acquiree. The agency fees for audit, assessment and legal service, etc. incurred for the business combination and other relevant management fees paid by the acquirer shall be recorded into the current profit and loss statement. For a business combination under non-common control realized by two or more transactions of exchange, the combination cost shall be the summation of the consideration paid on the acquisition date and the fair value on the acquisition date of the stock rights of the acquiree held by the acquirer before the acquisition date. The stock rights of the acquiree held by the acquirer before the acquisition date shall be re-measured according to the fair value on the acquisition date, and the difference between the fair value and the book value thereof shall be recorded into current investment income. Where the stock rights of the acquiree held by the acquirer involves other comprehensive income, the relevant comprehensive income shall be transferred into current investment income of the acquisition date.

The identifiable assets, liabilities and contingent liabilities which were obtained from the acquiree in the business combination and met the recognition conditions shall be measured on the acquisition date

according to the fair value thereof. If the combination cost is larger than the fair value of the identifiable net assets obtained from the acquiree, the difference shall be recognized as business goodwill and initially measured according to the cost thereof. If the combination cost is less than the fair value of the identifiable net assets obtained from the acquiree, the measurement of the combination cost and the fair value of the identifiable assets and liabilities and contingent liabilities obtained from the acquiree shall be rechecked firstly; after rechecking, if the combination cost is still less than the fair value of the identifiable net assets obtained from the acquiree, the difference shall be recorded into current profit and loss statement.

The goodwill formed due to business combination shall be separately listed in the consolidated financial statement and measured on the basis of its costs minus the accumulative impairment provisions. The goodwill shall have at least one impairment test at the end of each year.

The impairment test for the goodwill shall be combined with the relevant cash-generating units or groups of cash-generating units. In other words, the carrying amount of the goodwill acquired in the business combination shall be, from the acquisition date, reasonably allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of cash-generating units or groups of cash-generating units of the allocated goodwill is less than the book value thereof, the corresponding impairment loss shall be recognized. The impairment losses shall be first deducted from the book value of the corporate assets and goodwill which have been allocated to the cash-generating unit or group of cash-generating units, and then deducted from the book value of the remaining assets pro rata with goodwill excluded from consideration.

The recoverable amount is determined as the higher of the net amount of the fair value of assets minus the disposal expenses thereof and the present value of the estimated future cash flows of the assets. The fair value of the assets shall be determined according to the sales agreement's price in the fair transaction; if there is sales agreement but an assets' active market, the fair value thereof shall be determined in accordance with the acquirer's offer; if there is no sales agreement or assets' active market, the fair value thereof shall be determined on the basis of the available optimum information. Therein, the disposal expenses include legal fees, relevant taxes and dues and carriage expenses concerning the assets disposal as well as the direct expenses incurred for making the assets to be under marketability state. The present value of the estimated future cash flows of the assets shall be determined as the amount discounted at a proper discount rate according to the estimated future cash flows incurred during the sustained use and at the final disposal.

The impairment loss of the goodwill shall be recorded into the current profit and loss statement and shall not be reserved in future accounting periods.

4.6. Compiling methods of consolidated financial statements

4.6.1 Compiling methods of consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control refers to the power that the Group can determine the financial and business policies of another enterprise and can gain profits from the business activities of the enterprise.

As for the subsidiary companies disposed by the Group, the business results and the cash flows thereof

before the disposal date (date of losing control power) shall have been properly included in the consolidated statement of income and the consolidated statement of cash flow.

As for the subsidiary company obtained in a business combination under non-common control, the business results and the cash flows thereof since the acquisition date (date of obtaining control power) shall have been properly included in the consolidated statement of income and the consolidated statement of cash flow. The opening balance and the comparison value of the consolidated financial statements shall not be adjusted.

The principal accounting policy and accounting period adopted by the subsidiary companies shall be determined in accordance with the accounting policy and accounting period uniformly regulated by the Company.

All major accounts and transactions between the Company and the subsidiary companies as well as between subsidiary companies shall be neutralized at the time of combination.

The shares in the owner's equity of the subsidiary companies, which do not belong to the parent company, shall be recognized as the minority equity and shall be listed under the item of "minority equity" of the owner's equity in the balance sheet. The shares in the current profit and loss statement of the subsidiary companies, which belong to the minority equity, shall be listed under the item of "minority equity" of the net profits in the consolidated statement of income.

If the loss of the subsidiary companies borne by minority shareholders exceeds the shares of the owner's equity entitled therein by the minority shareholders at the beginning of the period, the difference shall be still credited against the owner's equity.

4.7. Recognition standards of cash and cash equivalents

Cash comprises cash on hand and demand deposit of this Enterprise. Cash equivalents refers to short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8. Foreign currency transactions and foreign currency statement translating

4.8.1 Foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount of the foreign currency transaction shall be translated into the amount in the reporting currency at the spot exchange rate on the transaction date.

The monetary items of the foreign currency transaction shall be translated into RMB at the spot change rate on the balance sheet date. The currency translation difference generated due to the difference between the spot change rate on the balance sheet date and the spot change rate at the initial recognition or on the previous balance sheet date shall be recorded into the current profit and loss statement, except: (1) the currency translation difference of the dedicated foreign currency loan that meets the capitalization condition shall be recorded into the assets cost as capitalization during the capitalization period; (2) the currency translation difference of the arbitrage tool for avoiding foreign exchange risk shall be treated

according to hedge accounting method; (3) the currency translation difference of the available-for-sale monetary items generated by the book value other than the amortized cost shall be recognized as other comprehensive income and shall be recorded into capital surplus and shall be recorded into the current profit and loss statement.

The amount of the non-monetary items of the foreign currency transaction measured by historical cost shall be still translated into the amount in the reporting currency at the spot exchange rate on the transaction date. The non-monetary items of the foreign currency transaction measured by the fair value shall be translated at the spot exchange rate on the fair value date, and the difference between the amount in the reporting currency and the amount in original reporting currency shall be treated as the change of the fair value (including exchange rate movement) and shall be recorded into current profit and loss statement or recognized as other comprehensive income and recorded into capital surplus.

4.8.2 Translation of Foreign Currency Financial Statement

In order to compile consolidated financial statement, the foreign currency financial statement of overseas business shall be translated into RMB financial statement in accordance with the following methods: all asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date; the owner's equity items, except the ones as "undistributed profits", shall be translated at the spot exchange rate at the time when they occur; all items and the items reflecting the accrual profit distribution in the profit statement shall be translated at the spot exchange rate at the time when they occur; the undistributed profits at the beginning of the year shall be the translated undistributed profits at the end of the previous year; the undistributed profits at the end of the year shall be calculated and listed as the translated profit distribution items; the difference between the asset items, the liability items and the summation of the owner's equity items shall be separately listed under the owner's equity items in the balance sheet as the translation difference of the foreign currency financial statement.

The foreign currency cash flows and the cash flows of the overseas subsidiary companies shall be translated at the spot exchange rate at the time when they occur; the amount of the cash and cash equivalents impacted by the exchange rate movement shall be, as a reconciling item, separately listed under "impact of exchange rate movement on cash and cash equivalents" in the cash flow statement.

The amount at the beginning of the year and the actual amount of the previous year shall be listed as the amount translated according to the financial statement of the previous year.

4.9. Financial instruments

When becoming a party to a financial instrument, the Group shall recognize a financial asset or financial liability. The financial assets and financial liabilities initially recognized shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the current profit and loss statement, the transaction expenses thereof shall be directly recorded into the current profit and loss statement; for other categories of financial assets and financial liabilities, relevant transaction expenses thereof shall be included into the initially recognized amount.

4.9.1 Classification of financial assets

Financial assets are classified into the following categories when they are initially recognized: the

financial assets which are measured at their fair values and the variation of which is recorded into the current profit and loss statement, the investments which will be held to their maturity, loans and account receivables and available-for-sale financial assets. The financial assets purchased and sold through common modes shall be recognized and terminated from recognition according to the accounting on the transaction date. The financial assets held by the Company are loans and account receivables.

The financial instruments issued by the Group shall be recognized as financial liabilities or right instruments according to the essence of the financial instruments and the definition of the financial liabilities and the right instruments.

Financial liabilities shall be classified into the following two categories when they are initially recognized: the financial liabilities which are measured at their fair values and of which the variation is recorded into the current profit and loss statement, and other financial liabilities. The financial liabilities assumed by the Group are other financial liabilities.

4.9.2 Recognition reference and measurement methods of financial instruments

Loans and account receivables

Loans and account receivables refer to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable. The financial assets classified by the Group as loans and account receivable include bill receivable, account receivable, interest receivable and other receivables.

The loans and account receivables shall be subsequently measured at amortized cost by adopting effective interest rate method. The profits or losses that arise when such loans and account receivables are terminated from recognition, or are impaired or amortized, shall be recorded into the current profit and loss statement.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost by adopting effective interest rate method, wherein the profits or losses that arise when such financial liabilities are terminated from recognition or are amortized, shall be recorded into the current profit and loss statement.

4.9.3 Recognition reference and measurement methods for transfers of financial assets

Where a financial asset satisfies any of the following conditions, it shall be terminated from recognition: (1) where the contractual rights for collecting the cash flow of the said financial asset are terminated; (2) where the said financial asset has been transferred and all the risks and rewards of the financial asset have been substantially transferred to the receiver; (3) where the financial asset has been transferred, although the Group does not transfer or retain almost all the risks and rewards of the financial asset, the Group still waives the control of the financial asset.

Where the overall transfer of the financial asset satisfies the derecognition conditions, the difference between the book value of the transferred financial asset as well as the consideration received due to such transfer and the summation of the cumulative amount of the fair value of the asset that is originally recorded into other comprehensive income.

4.9.4 Conditions for terminated recognition of financial liabilities

When the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability shall be terminated in all or in part. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, the recognition of the existing financial liability shall be terminated, and at the same time the new financial liability shall be recognized.

Where the recognition of a financial liability is totally or partially terminated, the difference between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be included into the current profit and loss statement.

4.9.5 Recognition methods of fair value of financial assets and financial liabilities

"Fair value" refers to the amount, at which both parties to a transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. The fair value of the financial instruments that are actively traded in organized financial markets is determined by reference to quoted market prices. For the financial instruments where there is no active market, the fair value thereof is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis; option pricing models and other valuation models.

4.9.6 Impairment test method and method for accruing impairment provision of financial assets (excluding accounts receivable)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Objective evidences refer to those occurred after the initial recognition, have effect on estimated future cash flows of the financial assets, and can be measured reliably.

The objective evidences that can prove the impairment of a financial asset shall include:

A serious financial difficulty occurs to the issuer or the debtor;

The debtor breaches any of the contractual stipulations, such as, failure to pay or delay of the payment of interests or the principal;

The Group makes any concession due to economic or legal factors, etc. to the debtor which is in financial difficulties;

The debtor will probably become bankrupt or carry out other financial reorganizations;

The financial assets can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, including:

The payment ability of the debtor of the said combination of financial assets worsens gradually;

The country or economic region where the debtor is situated has the conditions that may cause the financial assets to be unpaid.

Other objective evidences showing the impairment of the financial assets.

Financial assets carried at amortized cost

Where a financial asset measured at amortized cost is impaired, the book value of the said financial asset shall be written down to the current value of the predicted future cash flow determined according to the capitalization of original effective exchange rate (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset and shall be recorded into the current profit and loss statement. If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses originally recognized shall be reversed. However, the reversed book value shall not be any more than the amortized costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

An impairment test shall be made by the Group independently on the individually significant financial assets; with regard to not individually significant financial assets, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk characteristics so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including the individually significant financial assets and not individually significant financial assets) has not been impaired, it shall be included in a combination of financial assets with similar credit risk characteristics so as to conduct another impairment test. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of the financial assets with similar credit risk characteristics for impairment test.

4.10. Recognition standards and accrual methods for bad account provision of accounts receivable

4.10.1 Bad account provision of individually significant accounts receivable

Judgment reference or amount standard for individually significant accounts	The account receivable with the amount above RMB 3,000,000 shall be recognized by the Group as the individually significant account receivable.
Accruing method for individually significant accounts accrued for bad account provision individually	An impairment test shall be made independently by the Group on the individually significant financial assets. Where, upon independent test, the financial asset has not been impaired, it shall be included in a combination of financial assets with similar risk characteristics so as to conduct another impairment test. The account receivables that are independently assessed for impairment and for which an impairment loss is or continues to be recognized shall not be included in the combination of account receivables with similar credit risk characteristics for impairment

	test.
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4.10.2 Individually insignificant accounts receivable accrued for bad account provision individually

Reasons for accruing for bad account provision individually	If there is objective evidence that this Group can't call back the accounts according to original articles, the individually insignificant accounts receivable can be accrued for bad account provision individually.
Methods for accruing bad account provision	The impairment losses are recognized according to the difference between the present value of future cash flow and the book value, and impairment provision is accrued.

4.11. Inventories

4.11.1 Classification of inventories

Inventories of the Group comprise raw materials, goods in process, commodity stocks. The inventories are initially measured in cost. The cost of inventory consists of purchase costs, processing costs and other expenditures to make inventories reach current site and state.

4.11.2 Pricing method for sending out inventories

Weighted average method is used to determine the actual cost for sending out inventories when sending them out.

The agricultural products after the harvest are handled in accordance with the CAS 1- Inventories.

4.11.3 Recognition reference of the net realizable value of inventories and the method for accruing inventory depreciation provision

Inventories are stated at the lower of cost and net realizable value at the balance sheet date. If the net realizable value is lower than the cost of inventories, the provision for the loss on decline in value of inventories are made. The net realizable value refers to the amount: the estimated sale price of inventories deducting the estimated cost to happen till completion, the estimated selling expense and relevant taxes, in daily activities. Based on the acquired concrete evidence, the purpose for holding inventories and the impact of matters after balance sheet date shall be also considered during recognition of the net realizable value of inventories.

The inventories are accrued inventories depreciation provision according to the difference of single inventory item and its net realizable value.

After accruing inventories depreciation provision, if the previous influence factors writing down inventories value disappear resulting in the net realizable value of the inventories being higher than their book value, it shall be reversed from the originally accrued inventories depreciation provision amount and the reversed amount shall be included in the current profit and loss statement.

4.11.4 Inventory system for the inventories

Inventory system: Perpetual inventory system

4.11.5 Amortization method of low-priced and easily-worn articles and packages

Amortization method of packages and low-priced and easily-worn articles: One-off amortization method

4.12 Long-term equity investments

4.12.1 Recognition of initial investment cost

For long-term equity investments acquired from business combination under non-common control, the combination cost is regarded as the investment cost of long-term equity investments. Where the business combination under non-common control is realized by steps through multiple transactions, the sum of the book value of the acquiree's equity investment held before the acquisition date and the newly increased investment cost on the acquisition date shall be regarded as the investment cost of long-term equity investments. For equity investments other than long-term equity investments formed by business combination, initial measurement shall be carried out according to the costs.

4.12.2 Subsequent measurement and recognition of loss and profit

Long-term equity investments by which Group has no controls, has no joint control or significant influence to invested entities, has no quoted market price in an active market and the fair value cannot be reliably measured are measured on cost method basis; in addition, long-term equity investments to the subsidiary companies are measured on cost method basis by corporate financial statements. Subsidiary companies refer to the invested entities by which the company has control. When cost method is adopted, the long-term equity investments are measured at the initial investment cost, except that the initial investment cost contains declared but unissued cash dividends or profits. The current investment income is recognized according to the dividends or profits declared to distribute by the invested entities. During disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current profit and loss statement.

4.12.3 Reference for recognizing common control and significant influence on invested unit

Control refers to the right of deciding the financial and operating policies of an enterprise, and getting interests from the operating activities of such enterprise. Joint control refers to the mutual control to a certain economic activity according to contract agreement and exists only when the investing parties who need to share the control power agree unanimously for making important financial and operating decisions related to such economic activity. Significant influence refers to the right to take part in decision making of financial and operating policies of an enterprise, but can't control the formulation of such policies independently or with other parties. The current convertible corporate bonds, current executable warrants and other potential voting factors of the invested unit held by the investing enterprises and other parties shall be considered, during recognizing whether to implement control or exert significant influence on the invested units.

4.12.4 Impairment test method and method for accruing impairment provision

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of long-term equity investment. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is lower than the book value, asset impairment provision shall be accrued according to the difference and charged to the current profit and loss statement in the period. After the impairment loss of long-term

equity investment has been recognized, it won't be reversed in future accounting periods.

4.13 Fixed assets

4.13.1 Recognition conditions of fixed assets

Fixed assets refer to the tangible assets held for producing goods, rendering services, leasing or operation management, with useful life exceeding one accounting year. Fixed assets can only be confirmed that the economic benefits relating to the fixed assets are likely to flow into the Group, and the cost of the fixed assets can be measured reliably. Initial measurement for fixed assets shall be carried out according to the cost. For the subsequent expenses related to the fixed asset, if the economic benefits relating to the fixed asset are likely to flow into the Group and the cost thereby can be reliably measured, the subsequent expenses are included in fixed asset cost and the book value of the substituted part shall be terminated. Other subsequent expenses shall be included in the current profit and loss statement.

4.13.2 Depreciation methods of kinds of fixed assets

Depreciation is calculated on the fixed year average method basis within the useful life from the month following having been put into operation. The estimated useful life, residual value and annual depreciation rate are as follows:

Classification	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	20-40 years	0-5%	2.4%-5.0%
Machinery	10-20 years	0-5%	4.8%-10.0%
Motor vehicles	4-12 years	0-5%	7.9%-25.0%

4.13.3 Impairment test method and method for accruing impairment provision of fixed assets

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of fixed assets. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset is estimated. The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to determine the recoverable amount individually, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of the asset or cash-generating unit is less than its book value, the impairment provision of asset shall be accrued according to the difference and included in the current profit and loss statement.

After a loss of asset impairment has been recognized, it is not be reversed in future accounting periods.

4.13.4 Others

The Group reviewed the useful life, expected net residual value, and the depreciation method of the fixed assets at least at the end of each year, and in case of any change, the change will be disposed as accounting estimate change.

When the fixed assets are under disposal state or cannot generate any economic benefits through use or disposal as expected, the fixed assets are derecognized. The selling, transfer, scrapping or damage disposal income shall be included in the current profit and loss statement after deducting the book value and relevant taxes.

4.14. Construction in progress

4.14.1 Classification of construction in progress

Construction in progress are measured on actual costs, including the direct costs of construction, capitalised borrowing costs during the period of construction and other expenditures. The construction in progress is not depreciated.

4.14.2 Reclassification standard and time of construction in progress to fixed assets

Construction in progress is reclassified to the fixed assets when completed and ready for use.

4.14.3 Impairment test method and method for accruing impairment provision of construction in progress

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of construction in progress. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset is estimated. The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to determine the recoverable amount individually, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of the asset or cash-generating unit is less than its book value, the impairment provision of asset shall be accrued according to the difference and included in the current profit and loss statement.

After a loss of asset impairment of construction in progress has been recognized, it is not be reversed in future accounting periods.

4.15. Borrowing costs

4.15.1 Recognition principles of borrowing costs capitalization

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized after expenditure to acquire happens, borrowing costs happen, acquisition, construction or production essential for making the assets ready for their intended use or sales. Other borrowing costs are recognized as expenses when happening.

4.15.2 Capitalization period of borrowing costs

Capitalization of borrowing costs shall cease when all the activities necessary to prepare the qualifying asset for its intended use of sale are substantially complete.

4.15.3 Interruption period of capitalization

If the acquisition, construction or production of a qualifying asset is abnormally interrupted, and the interruption period exceeds three months, the capitalization of borrowing costs shall be temporarily ceased, until the construction or production resumes.

4.16. Biological assets

Productive biological assets refer to the biological assets held for the purposes of producing agricultural products, rendering services or leasing, etc. The productive biological assets of the Group are vines that produce grapes. Initial measurement for the productive biological assets is carried out according to the

cost. For the occurred cost of the self-breeding productive biological asset before achieving the intended production and operation purposes can be directly attributable to the necessary expenses of the asset, including the borrowing cost conforming to capitalization.

After reaching the intended production and operation purposes, the productive biological assets are accrued depreciation within useful life based on the fixed year average method. The expected useful life, net residual value and annual depreciation rate of different productive biological assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value (%)</u>
<u>Annual depreciation rate</u>		
Vines	20 years	—
		5%

The Group reviewed the useful life, expected net residual value, and the depreciation method of the productive biological assets at the end of each year. In case of any change, the change will be disposed as accounting estimate change.

At the time of sale, loss, death, damage or destroy of a productive biological asset, the difference after deducting the book value and the relevant taxes from the disposal income are recognized in the current profit and loss statement.

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of productive biological assets. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset is estimated. The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to determine the recoverable amount individually, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of the asset or cash-generating unit is less than its book value, the impairment provision of asset shall be accrued according to the difference and included in the current profit and loss statement.

After a loss of asset impairment of a productive biological asset has been recognized, it is not be reversed in future accounting periods.

4.17. Intangible assets

4.17.1 Pricing method of intangible assets

Intangible assets include land use right and software, etc.

Initial measurement for intangible assets is carried out according to the cost. For the intangible assets with finite lives, since they are available, the amount after the original value deducts expected net residual value and the accrued accumulative amount of provision for impairment is amortized evenly based on straight line method. The intangible assets with indefinite lives are not amortized.

4.17.2 Estimation of useful life of intangible assets with finite lives

At the end of the period, the useful life and amortization method of the intangible assets with finite lives shall be reviewed and adjusted if necessary.

Useful lives of different intangible assets are as follows:

Item	Predicted useful life	Reference
Land use right	40-50 years	Useful life of land
Software use right	5-10 years	Predicted period of bringing economic benefits

4.17.3 Judgment reference of intangible assets with indefinite lives

If the periods during which it can bring economic benefits to the Group cannot be reliably determined, the intangible assets are classified as intangible assets with indefinite useful life. However, the Group doesn't have this kind of intangible assets.

4.17.4 Accruing of impairment provision of intangible assets

On each balance sheet date, the Group made assessment on whether or not there is any indication of potential impairment of intangible assets with finite lives. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset is estimated. The estimated recoverable amount of an asset is based on an individual asset. If it is difficult to determine the recoverable amount individually, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of the asset or cash-generating unit is less than its book value, the impairment provision of asset shall be accrued according to the difference and included in the current profit and loss statement.

Depreciation test for intangible assets with indefinite lives and not reaching the available state shall be carried out every year, regardless of whether there is any indication of depreciation.

After a loss of intangible asset impairment has been recognized, it is not be reversed in future accounting periods.

4.18 .Amortization methods of long-term prepaid expenses

Long-term prepaid expenses refer to prepaid expenses occurred that should be borne by current and subsequent periods and should be amortized over more than one year. Long-term prepaid expenses are amortized evenly over the expected beneficial periods.

Amortization period of different long-term prepaid expenses of the Group are as follows:

	<u>Amortization period</u>
Land requisition fee	50 years
Land leasing fee	50 years

Greening fee	5 years
Others	5-50 years

4.19. Revenue

4.19.1 Specific judgment standards of the acknowledging time of revenues from sale of goods

When the significant risks and rewards of ownership of goods have been transferred to the buyer, provided that the Group maintains neither continuous management right involvement to the degree usually associated with ownership, nor effective control over the goods sold, and cost of sales can be measured reliably. When the relevant economic benefits are likely to flow into the enterprise and the relevant incurred cost or cost to be incurred can be measured reliably, the realization of the revenue from sale of goods can be recognized.

4.19.2 Reference for confirming rendering of services

When income amount of rendering of services can be measured reliably, the relevant economic benefits are likely to flow into the enterprise, the stage of completion of the transaction can be measured reliably, and the incurred cost or cost to be incurred in the transaction can be measured reliably, then the income realization of rendering of services can be recognized. The Group confirmed the income of the rendered services according to percentage-of-completion method on the balance sheet date. The percentage-of-completion of the service transaction is determined according to the proportion of the rendered service accounting for the total services that shall be rendered.

If the outcome of rendering of service transaction cannot be reliably estimated, the income of the rendered services are determined according to the render cost amount that is incurred and is expected to be compensated, and the incurred service cost shall be the period charge. If the incurred service cost is expected to be unable to be compensated, the income will not be determined.

4.20. Government grants

4.20.1 Type

Government grants refer to monetary or non-monetary assets received by the Group from the government. Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Monetary grants are measured on the basis of the amount received or the amount receivable. According to the nature of the granted object clearly stipulated in relevant government documents, government grants include grants related to assets and grants related to income.

4.20.2 Accounting policies

Government grants related to assets are recognized as deferred income and are distributed equally in the current profit and loss statement for the current period within the useful lives of the relevant assets.

The government grants relevant to revenue to be used as compensation for future expenses or losses are recognized as deferred income and are recorded in the profit and loss statement for the period where the relevant expenses are recognized; or those to be used as compensation for relevant expenses or losses already occurred are recorded directly in the profit and loss statement for the current period.

4.21 Deferred income tax assets and deferred income tax liabilities

The balance sheet liability method is used for recognizing deferred income tax assets and deferred income tax liabilities for the difference between certain assets, book value of liability items and their tax base, and the temporary differences arising from the book value of items (that are not recognized as assets and liabilities but can be recognized the tax bases as stipulated by tax law) and tax bases.

Normally all temporary differences are recognized the relevant deferred income taxes. However, for the deductible temporary differences, the Group recognized the relevant deferred income tax assets taking the taxable income that is likely to be obtained for deducting deductible temporary differences as the limit. In addition, the temporary differences relevant to initial recognition of goodwill and relevant to the initial recognition of assets or liabilities arising from transaction not of business combination, and not influencing accounting profit and taxable income (or deductible loss) are not recognized for the relevant deferred income tax assets or liabilities.

For the deductible losses and tax credits that can be transferred during subsequent years, the corresponding deferred income tax assets shall be recognized by taking the future taxable income that is likely to be used to deduct deductible losses and tax credits as the limit.

The Group recognized the deferred income tax liabilities arising from the taxable temporary differences relevant to the subsidiary companies, except for that the Group can control the time of the reverse of the temporary differences which are unlikely to be reversed in the foreseeable future. For the deductible temporary differences relevant to the subsidiary companies, the Group will recognize the deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and the taxable income for deducting deductible temporary differences is likely to be achieved in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured according to the applicable tax rate during the period of expecting to repossess the relevant assets or pay off relevant liabilities as stipulated by tax law.

Except for the current income taxes and deferred income taxes (relevant to transaction and matter that are directly included in other comprehensive income or stockholder's equity) that are included in other comprehensive income or stockholder's equity and the deferred income taxes arising from business combination that adjusts the book value of the goodwill, the expenses or revenues of other current income taxes and deferred income taxes are included in the current profit and loss statement.

On the balance sheet date, the Group shall review the book value of deferred income tax assets and shall write down the book value of deferred income tax assets if sufficient taxable income is unlikely to be obtained in the future to deduct the benefits of deferred income tax assets. The amount written down shall be reversed when it is likely to obtain sufficient taxable income.

When there is the legal right of netting or intention of netting or carrying out obtaining assets and paying off liabilities at the same time, the current income tax asset and current income tax liability of the Group are reported according to the net amount after deduction.

When there is the legal right of netting the current income tax asset and current income tax liability and the deferred income tax assets and deferred income tax liabilities are relevant to the income tax collected by same tax collection and management department on the same taxpayer or different taxpayers, however, the involved tax payers intend to net the current income tax assets and liabilities or obtain assets and pay

off liabilities at the same time during every period of reverse of each significant deferred income tax assets and liabilities in the future, deferred income tax assets and deferred income tax liabilities of the Group are reported according to the net amount after deduction.

4.22 Operating leases and financial leases

4.22.1 Accounting treatment of operating leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, are accounted for as finance leases, otherwise are accounted for as operating leases.

Rental expenses under the operating leases are credited to related costs of the assets or the current profit and loss statement on the straight line basis over the lease terms. The initial direct costs are credited to the current profit and loss statement. Contingent rentals are recorded in the current profit and loss statement upon actual accrual.

4.23. Changes in main accounting policies and accounting estimates

4.23.1 Changes in accounting policies

Nil

4.23.2 Changes in accounting estimates

Nil

4.24 Correction of previous accounting errors

Nil

4.25 Other main accounting policies, accounting estimates and compiling method of financial statement

During the application of the accounting policies of this Financial Report IV, the Group needs to judge, estimate and assume the book value of the report items that are unable to be accurately measured due to the inherent uncertainties of business activities, in which the judgment, estimation and assumption are made based on the previous historical experience of the management level of the Group and considering other relevant factors. The actual results may have differences from the estimation of the Group.

The Group regularly reviews the above-mentioned judgment, estimation and assumption based on the continuous operation, and the change of accounting estimate only affects the current period of change, of which the influence number will be recognized at the current period of change; in case of influencing both current period and future period of change, the influence number will be recognized at the current period and future period of change.

Critical assumptions and uncertain factors adopted in accounting estimates

On the balance sheet date, the main critical assumptions and uncertainties in accounting estimates that are likely to result in significant adjustments in assets and book value of liabilities in future period include:

Deferred income tax assets

Within the limit of the likeliness that there is sufficient taxable income to deduct deductible losses, the

deferred income tax assets shall be recognized according to all deductible losses that have not been utilized, which requires the management level to use a lot of judgments to estimate the occurred time and amount of taxable income to be obtained in the future, and combine with tax planning strategy to decide the amount of deferred income tax assets that shall be recognized.

Depreciation

The Group uses straight line method for provision for depreciation within the expected useful life after considering the residual value of the fixed assets. The Group regularly reviewed the expected useful life to decide the amount of depreciation expense that will be included in every report period. The expected useful life is recognized by the Group according to the previous experience on similar assets and in combination with the expected technical changes. The depreciation expense shall be adjusted if there are significant changes in the previous estimate.

Useful life of intangible assets

The expected useful life of intangible assets are estimated based on actual useful life of the previous intangible assets of similar natures and functions and according to historical experience and in consideration of the duration of the contractual rights or other legal rights applicable to the intangible assets.

In case that the useful life of the intangible assets shortens or extends, the amortization period will be adjusted in the future period for intangible assets with finite life; for intangible assets with indefinite life, if there is evidence showing that their useful life is finite, their useful life will be estimated in the future period and they will be disposed according to the disposal principles of intangible assets with finite life.

Depreciation of biological assets

Productive biological assets are examined at each balance sheet date by the Group. If any reliable evidence shows that the net realizable value of any consumptive biological assets or the recoverable amount of any productive biological asset is lower than its book value due to natural disasters, plant diseases and insect pests, animal disease or change of market demand, provision for price decrease and impairment should be made on the basis of the difference between the net realizable value or the recoverable amount and the book value and be recorded in the current profit and loss statement.

Long-term assets impairment

The Group carries out impairment assessment on long-term assets to determine if the recoverable amount of assets drops to the amount lower than their book value. If the situation shows that the book value of the long-term assets may not be fully recovered, the relevant assets will be deemed as having been impaired and the impairment loss shall be correspondingly recognized.

The recoverable amount is the higher in: the net amount of fair value of an asset (or cash-generating unit) minus disposal expense, and the present value of the estimated future cash flow of the asset (or cash-generating unit). It is difficult for the Group to accurately estimate the fair value of an asset because of difficulty in obtaining the open market price of the asset (or cash-generating unit). It needs to make significant judgments on the output, selling price, relevant operating cost of the asset (or cash-generating unit) and the discount rate used for calculating present value when estimating the present value of future cash flow. The Group will use all easily available materials in estimating the recoverable amount,

including the forecast relevant to output, selling price and relevant operating cost according to the reasonable and supportable assumption.

Bad account provision of accounts receivable

Bad account provision of accounts receivable shall be recognized by the management level according to the objective evidences (e.g. the possibility of bankruptcy or severe financial difficulty of the debtor) that can affect the recovery of the accounts receivable. The management level will reevaluate bad account provision in the end of every year.

Inventory depreciation provision accrued based on net realizable value

According to the inventory accounting policy, the Group carries out price decrease provision for obsolete and unsalable inventories with higher cost than the net realizable value measurement according to the lower of the cost and net realizable value. The Group will reevaluate if the inventories are obsolete and unsalable, and if the net realizable value is lower than inventory cost in the end of every year.

5. Taxes

5.1 Main taxes and tax rate of the Company

Taxes	Tax basis	Tax rate
Value added tax	VAT is levied at 17% on the invoiced amount after deduction of eligible input VAT.	17%
Consumption tax	The consumption tax is levied at 10%-20% on taxable revenue.	10%-20%
Business tax	The business tax is levied at 5% on taxable revenue.	5%
Urban maintenance and construction tax	Levied at 7% of total business tax payment.	7%
Corporate income tax	The corporate income tax is levied at 25% on taxable income.	25%

5.2 Tax incentives and relative permit

Ningxia Changyu Grape Growing Co., Ltd., a subsidiary of the Company, whose principal activity is grape growing, is incorporated in Yongning County, Ningxia Hui Autonomous Region. According to clause 27 of *PRC Corporate Income Tax* and clause 86 of *PRC Corporate Income Tax Measures for Implementation*, the company enjoys an exemption of corporate income tax.

Xinjiang Tianzhu Wine Co., Ltd., a subsidiary of the Company, is an enterprise engaged in the production and sales of bulk wine incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant regulations of *Notice concerning Issuing Circular on Preferential Corporate Income Tax Policies for Newly Established Enterprises in Underprivileged Areas of Xinjiang (Provisional)* (Cai Shui [2011] No. 60), and *Notice of Financial & Tax Policies to Improve the Development of Agricultural Product Manufacturing Industry* (Xin Zheng Fa [2010] No. 105), the company enjoys preferential corporate income tax policies. From 2012 to 2015, from the year, the company got the first operating revenue, the company shall be

exempted from local corporate income tax based on the preferential policy of corporate income tax rate at 15%. The applicable tax rate in this year is 9%.

Xinjiang Changyu Baron Balboa Chateau Co., Ltd., a subsidiary of the Company, is an enterprise engaged in the production and sales of bulk wine incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant regulations of *Notice concerning Issuing Circular on Preferential Corporate Income Tax Policies for Newly Established Enterprises in Underprivileged Areas of Xinjiang (Provisional)* (Cai Shui [2011] No. 60), and *Notice of Financial & Tax Policies to Improve the Development of Agricultural Product Manufacturing Industry* (Xin Zheng Fa [2010] No. 105), the company enjoys preferential corporate income tax policies. From 2011 to 2015, from the year, the company got the first operating revenue, the company shall be exempted from local corporate income tax based on the preferential policy of corporate income tax rate at 15%. The applicable tax rate in this year is 9%.

6. Business combination & consolidated financial statements

6.1 Particulars of the subsidiaries

6.1.1 Subsidiaries acquired by establishment or investment

Unit: Yuan

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Beijing Changyu Sales and Distribution Co., Ltd. ("Beijing Sales")	Wholly-owned subsidiary	Beijing City, China	Sales	RMB 1,000,000 Yuan	Sales of wine	1,000,000		100%	100%	Yes			
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Manufacturing	RMB 15,410,000 Yuan	Production of packaging materials	23,176,063		100%	100%	Yes			
Yantai Changyu-Castel Wine Chateau Co., Ltd. ("Changyu Chateau") (b)	Holding subsidiary	Yantai City, Shandong Province, China	Manufacturing	USD 5,000,000	Production and sales of wine	28,968,100		70%	100%	Yes	12,365,016		
Changyu (Jingyang) Pioneer Wine Co., Ltd. ("Jingyang Wine")	Wholly-owned subsidiary	Xianyang City, Shaanxi Province, China	Manufacturing	RMB 1,000,000 Yuan	Production and sales of wine	1,000,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Yantai Changyu Pioneer Wine Sales Co., Ltd. ("Sales Company")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Sales	RMB 8,000,000 Yuan	Sales of wine	8,000,000		100%	100%	Yes			
Langfang Development Zone Castel-Changyu Wine Co., Ltd. ("Langfang Castel") (c)	Holding subsidiary	Langfang City, Hebei Province, China	Manufacturing	USD 6,108,818	Production and sales of wine	19,835,730		49%	100%	Yes	22,702,522		
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd. ("Jingyang Sales")	Wholly-owned subsidiary	Xianyang City, Shaanxi Province, China	Sales	RMB 1,000,000 Yuan	Sales of wine	1,000,000		100%	100%	Yes			
Langfang Changyu Pioneer Wine Sales Co., Ltd. ("Langfang Sales")	Wholly-owned subsidiary	Langfang City, Hebei Province, China	Sales	RMB 1,000,000 Yuan	Sales of wine	1,000,000		100%	100%	Yes			
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Wholly-owned subsidiary	Shanghai City, China	Sales	RMB 1,000,000 Yuan	Sales of wine	1,000,000		100%	100%	Yes			
Beijing Changyu AFIP	Wholly-owned	Miyun County,	Sales	RMB	Planting of fruit, flowers and	1,000,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Eco-agriculture Development Co., Ltd. ("Agricultural Development")	subsidiary	Beijing City, China		1,000,000 Yuan	oil crops; poultry raising; sales of fresh fruit, rough dried fruit and nut; tourism resource development; and technology consultation								
Beijing Changyu AFIP Wine Chateau Co., Ltd. ("Beijing Chateau") (d)	Holding subsidiary	Beijing City, China	Manufacturing	RMB 110,000,000 Yuan	Production and sales of wine	77,000,000		70%	100%	Yes	35,293,868		
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Sales	RMB 5,000,000 Yuan	Sales of wine	5,000,000		100%	100%	Yes			
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Sales	RMB 5,000,000 Yuan	Import and export of goods and technologies	5,000,000		100%	100%	Yes			
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Wholly-owned subsidiary	Hangzhou City, Zhejiang Province, China	Sales	RMB 500,000 Yuan	Wholesale and retail of stereotypes packaging food	500,000		100%	100%	Yes			
Ningxia Changyu Grape Growing Co.,	Wholly-owned	Yinchuan City, Ningxia Hui	Planting	RMB 1,000,000	Planting and purchase of	1,000,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Ltd. ("Ningxia Growing")	subsidiary	Autonomous Region, China		Yuan	grape								
Huanren Changyu National Wine Sales Co., Ltd. ("National Wines")	Wholly-owned subsidiary	Benxi City, Liaoning Province, China	Sales	RMB 2,000,000 Yuan	Wholesale and retail of wine	2,000,000		100%	100%	Yes			
Liaoning Changyu Ice Wine Chateau Co., Ltd. ("Ice Chateau") (e)	Holding subsidiary	Benxi City, Liaoning Province, China	Manufacturing	RMB 26,300,000 Yuan	Production and sales of ice wine	13,413,000		51%	100%	Yes	33,319,062		
Yantai Development Zone Changyu Trading Co., Ltd. ("Development Zone Trading")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Sales	RMB 5,000,000 Yuan	Wholesale and retail of wine	5,000,000		100%	100%	Yes			
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing")	Wholly-owned subsidiary	Shenzhen City, Guangdong Province, China	Sales	RMB 500,000 Yuan	Wholesale and retail of wine	500,000		100%	100%	Yes			
Yantai Fushan District Changyu Trading Co., Ltd. ("Fushan Trading")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Sales	RMB 5,000,000 Yuan	Wholesale and retail of wine	5,000,000		100%	100%	Yes			
Beijing AFIP Meeting	Wholly-owned	Miyun County,	Service	RMB	Meeting service, food,	500,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Center ("Meeting Center") (f)	subsidiary	Beijing City, China		500,000 Yuan	accommodation, tourism and sales of souvenir								
Beijing AFIP Tourism and Culture Company ("AFIP Tourism") (g)	Holding subsidiary	Miyun County, Beijing City, China	Tourism	RMB 500,000 Yuan	Tourism and culture communication, development of tourist resources and meeting service	350,000		70%	100%	Yes	2,966,399		
Ningxia Changyu Pioneer Wine Co., Ltd. ("Ningxia Wine")	Wholly-owned subsidiary	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing	RMB 1,000,000 Yuan	Production and sales of wine, packaging materials and planting, processing and purchase of grape	1,000,000		100%	100%	Yes			
Yantai Changyu Tinlot Chateau Co., Ltd. ("Tinlot Chateau")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Wholesale and retail	RMB 80,000,000 Yuan	Pre-packaged food	80,000,000		100%	100%	Yes			
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales")	Wholly-owned subsidiary	Qingtongxia City, Ningxia Hui Autonomous Region, China	Sales	RMB 500,000 Yuan	Wholesale and retail of wine and business agency	500,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Xinjiang Changyu Baron Balboa Chateau Co., Ltd. ("Shihezi Chateau")	Wholly-owned subsidiary	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing	RMB 150,000,000 Yuan	Production and sales of wine (bulk wine)	150,000,000		100%	100%	Yes			
Ningxia Changyu Mosel XV Chateau Co., Ltd. ("Ningxia Chateau")	Wholly-owned subsidiary	Yinchuan City, Ningxia Hui Autonomous Region, China	Manufacturing	RMB 2,000,000 Yuan	Production, processing and sales of wine, distilled wine, non-alcohol beverage and packaging materials, tourism, meeting reception and catering service	2,000,000		100%	100%	Yes			
Shaanxi Changyu Ruina Chateau Co., Ltd. ("Chang'an Chateau")	Wholly-owned subsidiary	Xianyang City, Shaanxi Province, China	Manufacturing	RMB 20,000,000 Yuan	Planting of grape, processing of wine, tourism and sightseeing	20,000,000		100%	100%	Yes			
Yantai Changyu Wine Research and Development Co., Ltd. ("Development Centre")	Wholly-owned subsidiary	Yantai City, Shandong Province, China	Manufacturing	RMB 500,000,000 Yuan	Manufacturing of brandy, wine and sparkling wine and preparation of sales project	500,000,000		100%	100%	Yes			
Changyu (Huanren)	Wholly-owned	Benxi City, Liaoning	Preparation for	RMB	Preparation for wine-making	5,000,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Wine Co., Ltd. ("Huanren Wine")	subsidiary	Province, China	wine-making project	5,000,000 Yuan	project								
Xinjiang Changyu Wine Sales Co., Ltd. ("Xinjiang Sales")	Wholly-owned subsidiary	Shihezi City, Xinjiang Uygur Autonomous Region, China	Sales	RMB 10,000,000 Yuan	Wholesale of pre-packaged food	10,000,000		100%	100%	Yes			
Xinjiang Changyu Wine Co., Ltd. ("Xinjiang Wine")	Wholly-owned subsidiary	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing	RMB 10,000,000 Yuan	Wine and fruit wine	10,000,000		100%	100%	Yes			
Ningxia Changyu Trading Co., Ltd. ("Ningxia Trading")	Wholly-owned subsidiary	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales	RMB 1,000,000 Yuan	Wholesale and retail of pre-packaged food	1,000,000		100%	100%	Yes			
Shaanxi Changyu Ruina Wine Sales Co., Ltd. ("Shaanxi Sales")	Wholly-owned subsidiary	Xiayang City, Shaanxi Province, China	Sales	RMB 3,000,000 Yuan	Production and sales of wine; and development of agricultural tourism attractions	3,000,000		100%	100%	Yes			
Penglai Changyu Wine Sales Co., Ltd.	Wholly-owned subsidiary	Penglai City, Shandong Province,	Sales	RMB 5,000,000	Wholesale and retail of wine	5,000,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
("Penglai Wine")		China		Yuan									
Laizhou Changyu Wine Sales Co., Ltd. ("Laizhou Wine")	Wholly-owned subsidiary	Laizhou City, Shandong Province, China	Sales	RMB 1,000,000 Yuan	Wholesale and retail of wine	1,000,000		100%	100%	Yes			
Beijing Changyu Trading Co., Ltd.	Wholly-owned subsidiary	Beijing City, China	Sales	RMB 500,000 Yuan	Retail of pre-packaged food	500,000		100%	100%	Yes			
Tianjin Changyu Pioneer Wine Sales Co., Ltd. (j)	Wholly-owned subsidiary	Tianjin City, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Fuzhou Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Fuzhou City, Fujian Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Nanjing Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Nanjing City, Jiangsu Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Xianyang Changyu Pioneer Drinks Sales Co., Ltd. (j)	Wholly-owned subsidiary	Xianyang City, Shaanxi Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Shenyang Changyu	Wholly-owned	Shenyang City,	Sales	RMB	Wholesale of pre-packaged	500,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Pioneer Wine Co., Ltd. (j)	subsidiary	Liaoning Province, China		500,000 Yuan	food								
Jinan Changyu Pioneer Drinks Co., Ltd. (j)	Wholly-owned subsidiary	Jinan City, Shandong Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Shanghai Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Shanghai City, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Fuzhou Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Fuzhou City, Jiangxi Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. (j)	Wholly-owned subsidiary	Shijiazhuang City, Hebei Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Hangzhou Yuzefeng Trading Co., Ltd. (j)	Wholly-owned subsidiary	Hangzhou City, Zhejiang Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Jilin Province Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Changchun City, Jilin Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment at the end of term	Other balance included into the net investment to the subsidiary	Proportion in shares (%)	Proportion of voting power (%)	Whether to consolidate financial statements	Interests of minority shareholders	Amount for counteracting minority shareholders' profits/losses in the interests of minority shareholders	Balance after the owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Beijing Changyu Pioneer Wine Sales Co., Ltd. (j)	Wholly-owned subsidiary	Beijing City, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Harbin Changyu Pioneer Wine Sales Co., Ltd. (j)	Wholly-owned subsidiary	Harbin City, Heilongjiang Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Hunan Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Changsha City, Hunan Province, China	Sales	RMB 2,000,000 Yuan	Wholesale of pre-packaged food	2,000,000		100%	100%	Yes			
Yinchuan Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Yinchuan City, Ningxia Hui Autonomous Region, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			
Kunming Changyu Pioneer Wine Co., Ltd. (j)	Wholly-owned subsidiary	Kunming City, Yunnan Province, China	Sales	RMB 500,000 Yuan	Wholesale of pre-packaged food	500,000		100%	100%	Yes			

- Notes: (b) Changyu Chateau is a Sino-foreign joint venture established by the Company and a foreign investor. Pursuant to an operation contract signed by the Company and Changyu Chateau, the Company is entrusted to manage Changyu Chateau by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies. The operation agreement will terminate on December 31, 2022.
- (c) Langfang Castel is a Sino-foreign joint venture established by the Company and a foreign investor. Pursuant to the agreement signed by the Company and Langfang Castel, the Company is entrusted to manage Langfang Castel by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies, therefore the financial statements of Langfang Castel are consolidated in the Group's financial statements. The operation agreement will terminate on December 31, 2022.
- (d) Beijing Chateau is a limited liability company established by the Company and a domestic investor. Pursuant to an operation contract signed by the Company and Beijing Chateau, the Company is entrusted to manage Beijing Chateau by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies. The operation agreement will terminate on September 2, 2019.
- (e) Ice Chateau is a Sino-foreign joint venture established by the Company and a foreign investor. Pursuant to the agreement signed by the Company, Ice Chateau and the foreign investor, the Company is entrusted to manage Ice Chateau by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies. The operation agreement will terminate at December 31, 2016.
- (f) Conference Center is a wholly-owned subsidiary of Beijing Chateau.
- (g) AFIP Tourism is a limited liability company established by the Company and a domestic investor. Pursuant to an operation contract signed by the Company and AFIP, the Company is entrusted to manage AFIP by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies. The operation contract will terminate on September 2, 2019.
- (i) Laizhou Sales Wine is a limited liability company established by the Company in 2013 with the registered capital of RMB 1,000,000 Yuan. By December 31, 2013, the Company had completed all the capital contributions.
- (j) are the wholly-owned subsidiaries of Pioneer International.

6.1.2 Subsidiary acquired from a business combination under non-common control

Unit: Yuan

Name of the subsidiary	Type of the subsidiary	Registered place	Business nature	Registered capital	Business scope	Actual investment	Other balance	Proportion in shares	Proportion of voting	Whether to consolidate	Interests of minority	Amount for counteracting	Balance after the
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						at the end of term	included into the net investment to the subsidiary	(%)	power (%)	financial statements	shareholders	minority shareholders' profits/losses in the interests of minority shareholders	owner's equity in the parent company counteracts the losses of minority shareholders in this term higher than their owner's equity in the subsidiaries at the beginning of year
Xinjiang Tianzhu Wine Co., Ltd. (“Xinjiang Tianzhu”) (a)	Holding subsidiary	Shihezi City, Xinjiang Uygur Autonomous Region, China	Manufacturing	RMB 75,000,000 Yuan	Production and sales of wine	60,000,000		60%	100%	Yes	56,093,912		
Etablissements Roulet Fransac (“France Trading”) (h)	Wholly-owned subsidiary	Cognac, France	Trading	EUR 2,896,531	Trading, brokerage and sales agency of wine, liquor and other drinks			100%	100%	Yes			

Notes: (a) Xinjiang Tianzhu is a subsidiary of the Company by merger and acquisition in August 2009, whose 60% of the shares are held by the Company. Pursuant to an operation contract signed by the Company and Xinjiang Tianzhu, the Company is entrusted to manage Xinjiang Chateau by paying contracting fees and therefore has the full power to control its strategic operating, investing and financing policies. The operation agreement will terminate on December 31, 2018.

(h) France Trading is a subsidiary of the Company by merger and acquisition in December 2013, whose 100% of the shares are held by the Company.

6.2 Notes on changes in the scope of consolidation

The scope of consolidated financial statements conforms with the last year except that the subsidiaries are newly established or acquired in this year.

6.3 Entities included or excluded in the scope of consolidation in the report period

Subsidiaries, entities with special purpose, or entities on which the Company has controlling power through entrusted operation or leasing included in the scope of consolidation in this term.

Unit: Yuan

Name	Net asset at the end of term	Net profit of the this term
Beijing Changyu Trading Co., Ltd.	500,000	-
Tianjin Changyu Pioneer Wine Sales Co., Ltd. (j)	494,776	-5,224
Fuzhou Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Nanjing Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Xianyang Changyu Pioneer Drinks Sales Co., Ltd. (j)	500,000	-
Shenyang Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Jinan Changyu Pioneer Drinks Co., Ltd. (j)	363,773	-136,227
Shanghai Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Fuzhou Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd. (j)	433,234	-66,766
Hangzhou Yuzefeng Trading Co., Ltd. (j)	500,000	-
Jilin Province Changyu Pioneer Wine Co., Ltd. (j)	363,756	-136,244
Beijing Changyu Pioneer Wine Sales Co., Ltd. (j)	500,000	-
Harbin Changyu Pioneer Wine Sales Co., Ltd. (j)	500,000	-
Hunan Changyu Pioneer Wine Co., Ltd. (j)	2,000,000	-
Yinchuan Changyu Pioneer Wine Co., Ltd. (j)	500,000	-
Kunming Changyu Pioneer Wine Co., Ltd. (j)	421,229	-78,771

Notes: Established in April 2014, Beijing Changyu Trading Co., Ltd. is a wholly-owned subsidiary of Beijing Chateau with the registered capital of RMB 500,000 Yuan.

(j) are newly established limit liability companies and are the wholly-owned subsidiaries of Pioneer International.

6.4 Translation of exchange rate of main accounts of overseas businesses

The statement of France Trading, an overseas subsidiary, shall adopt EUR as recording currency. When compiling consolidated statement, EUR 1 shall be converted into RMB 8.3946 Yuan.

7. Notes to consolidated financial statements

7.1 Monetary fund

Unit: Yuan

Item	Ending sum			Beginning sum		
	Foreign currency	Conversion rate	RMB	Foreign currency	Conversion rate	RMB
Cash:	--	--	59,735	--	--	772,817
RMB	--	--	59,735	--	--	772,817
Bank deposit:	--	--	1,734,396,909	--	--	1,235,788,080
RMB	--	--	1,723,847,765	--	--	1,222,683,414
EUR	1,256,658	8.3946	10,549,144	1,556,577	8.4189	13,104,666
Other monetary funds:	--	--	127,085,283	--	--	131,257,285
RMB	--	--	127,085,283	--	--	131,257,285
Total	--	--	1,861,541,927	--	--	1,367,818,182

As at June 30, 2014, the bank deposit with restricted ownership of the Group is RMB 2,687,519 Yuan, which is the company's housing fund (December 31, 2013: RMB 2,609,237 Yuan).

As at June 30, 2014, other monetary funds of the Group include pledge deposit of RMB 125,000,000 Yuan for short-term loans from HSBC of HKD 303,963,343 (converting into RMB 243,170,674 Yuan), refundable of bills payable of RMB 1,670,000 Yuan (December 31, 2012: RMB 5,965,996 Yuan) and guaranty money for deposits for the card of your company of RMB 415,283 Yuan.

As at June 30, 2014, the Group has monetary fund of RMB 10,549,144 Yuan that is deposited beyond the boundaries (December 31, 2013: RMB 13,104,666 Yuan).

The bank deposit of short-term time deposit range from 3 months to 1 year as at June 30, 2014 is RMB 126,547,482 Yuan (December 31, 2013: RMB 277,392,728 Yuan), with maturity terms ranging from 3 months to 1 year, and the interest rates ranging from 2.86%-3.58%.

7.2 Bills receivable

7.2.1 Classification of bills receivable

Unit: Yuan

Type	Ending sum	Beginning sum
Bank's acceptance bill	270,389,669	79,702,753
Total	270,389,669	79,702,753

7.2.2 Pledged bills receivable at the term end

Nil

7.2.3 Bills receivable reclassified as accounts receivable due to the default of drawer

Nil

7.2.4 Bills receivable endorsed to the third parties but not yet matured by the Company at the term end are as follows:

Unit: Yuan

Drawer	Issuing date	Maturity date	Amount	Remark
Wenzhou Yuxiang Trading Co., Ltd.	January 2, 2014	July 2, 2014	3,100,000	
Zibo Wenhong Commerce and Trade Co., Ltd.	January 26, 2014	July 26, 2014	1,575,000	
Zhongshan Fuqiao Commerce and Trade Co., Ltd.	March 14, 2014	September 14, 2014	1,000,000	
Pingyang County Aojiang Town Pinquan Food Business Department	January 3, 2014	July 3, 2014	700,000	
Cixi Tianlong Wine Industry Co., Ltd.	January 26, 2014	July 26, 2014	635,982	
Total	--	--	7,010,982	--

7.3 Interest receivable

7.3.1 Interest receivable

Unit: Yuan

Item	Beginning sum	Increase	Decrease	Ending sum
Bank fixed deposits interest	8,417,995	3,997,874	5,937,606	6,478,263
Total	8,417,995	3,997,874	5,937,606	6,478,263

As at June 30, 2014, there is no overdue interest.

7.4 Accounts receivable

7.4.1 Accounts receivable disclosed by type

Unit: Yuan

Type	Ending sum				Beginning sum			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Accounts receivable of significant single amount and single accrued bad debt provision	49,802,762	39.6%			72,118,959	40.7%		
Accounts receivable of insignificant single amount and single accrued bad debt provision	76,080,183	60.4%			104,990,557	59.3%		
Total	125,882,945	--		--	177,109,516	--		--

The credit term of account receivable is normally one month. Major customers can be granted a credit term

up to three months. The accounts receivable balances are interest free.

7.4.2 Accounts receivable transferred back or received in this term

Nil

7.4.3 Accounts receivable actually cancelled after verification in this term

Nil

7.4.4 Accounts receivable due from shareholders with voting rights of 5% (including 5%) or above in this term

Nil

7.4.5 Top 5 units of accounts receivable

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage of total accounts receivable
Nonggongshang Supermarket Co., Ltd. (Group)	Third party	14,287,627	Within 1 year	11.4%
Kunshan Runhua Commercial Co., Ltd. Guangzhou Huangpu Branch	Third party	5,334,602	Within 1 year	4.2%
Suguo Supermarket Co., Ltd.	Third party	4,843,618	Within 1 year	3.8%
Kangcheng Investment (China) Co., Ltd.	Third party	4,103,348	Within 1 year	3.3%
Wal-mart (China) Investment Co., Ltd.	Third party	4,055,653	Within 1 year	3.2%
Total	--	32,624,848	--	25.9%

7.4.6 Accounts receivable from related parties

Unit: Yuan

Unit	Relationship with the Company	Amount	Percentage of total accounts receivable
Yantai Changyu Wine Culture Museum Co., Ltd.	Under the control of the same parent company	53,114	0.04%
Total	--	53,114	0.04%

7.4.7 Accounts receivable terminating confirmation

Nil

7.5 Other accounts receivable

7.5.1 Other accounts receivable disclosed by type

Type	Ending sum				Beginning sum			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Other accounts receivable of significant single amount and single accrued bad debt provision	65,272,429	64.0%	7,392,429	11.3%	65,272,429	61.2%	7,392,429	11.3%
Other accounts receivable of insignificant single amount and single accrued bad debt provision	36,749,107	36.0%			41,451,794	38.8%		
Total	102,021,536	--	7,392,429	--	106,724,223	--	7,392,429	--

Other accounts receivable of significant single amount and single accrued bad debt provision at the end of term:

Unit: Yuan

Other accounts receivable	Book balance	Bad debt	Accrued proportion	Reason
Tiantong Securities Co., Ltd.	7,392,429	7,392,429	100%	This company is in bankruptcy liquidation.
Total	7,392,429	7,392,429	--	--

7.5.2 Other accounts receivable transferred back or received in this term

Nil

7.5.3 Other accounts receivable actually cancelled after verification in this term

Nil

7.5.4 Other accounts receivable due from shareholders with voting rights of 5% (including 5%) or above in this term

Unit: Yuan

Unit	Ending sum		Beginning sum	
	Book balance	Accrued amount for bad debt	Book balance	Accrued amount for bad debt
Yantai Changyu Group Co., Ltd.	2,954,000			
Total	2,954,000			

7.5.5 Nature or content of other accounts receivable of significant amount

Unit: Yuan

Unit	Amount	Nature or content of fund	Percentage of total other accounts receivable
YEDA Finance Bureau Special Non-tax Account	52,880,000	Guarantee fund	51.8%
Tiantong Securities Co., Ltd.	7,392,429	Investment fund	7.2%
YEDA Construction Industry Association	5,000,000	Guarantee fund	4.9%
Total	65,272,429	--	63.9%

7.5.6 Top 5 units of other accounts receivable

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage of total other accounts receivable
YEDA Finance Bureau Special Non-tax Account	Third party	52,880,000	1-2 years	51.8%
Tiantong Securities Co., Ltd.	Third party	7,392,429	More than 3 years	7.2%
YEDA Construction Industry Association	Third party	5,000,000	1-2 years	4.9%
Liaoning Provincial Administration of Foreign Experts Affairs	Third party	1,894,055	1-2 years	1.9%
Beijing Carrefour Commercial Co., Ltd.	Third party	521,050	Within 1 year	0.5%
Total		67,687,534	--	66.3%

7.6 Advanced payment

7.6.1 Advanced payment listed by age

Unit: Yuan

Age	Ending sum		Beginning sum	
	Amount	Proportion	Amount	Proportion
Within 1 year	12,631,073	100%	45,997,863	100%
1-2 years				
2-3 years				
More than 3 years				
Total	12,631,073	--	45,997,863	--

7.6.2 Top 5 units of advanced payment

Unit: Yuan

Unit	Relationship with the Company	Amount	Time	Reason for unsettlement
Yantai Yangguang Furniture Garden Co., Ltd.	Third party	1,712,032	Within 1 year	Failure to receive goods
Weifang Qingxin Greening Engineering Co., Ltd.	Third party	800,000	Within 1 year	Engineering has not been completed
Yantai Power Supply Company	Third party	802,438	Within 1 year	Failure to receive goods
Longkou City Shiza Fruit Co., Ltd.	Third party	730,000	Within 1 year	Failure to receive goods
Beijing Jiamei Building and Decorative Engineering Co., Ltd.	Third party	504,000	Within 1 year	Engineering has not been completed
Total	--	4,548,470	--	--

7.6.3 Advanced payment due from shareholders with voting rights of 5% (including 5%) or above in this term

Nil

7.7 Inventories

7.7.1 Inventory classification

Unit: Yuan

Item	Ending sum			Beginning sum		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	75,904,840		75,904,840	85,025,169		85,025,169
Goods in process	788,663,525		788,663,525	930,137,624		930,137,624
Commodity stocks	911,920,357	13,135,590	898,784,767	1,119,090,234	13,135,590	1,105,954,644
Total	1,776,488,722	13,135,590	1,763,353,132	2,134,253,027	13,135,590	2,121,117,437

7.7.2 Inventory depreciation provision

Unit: Yuan

Inventory type	Book balance at the beginning of term	Accrual	Decrease		Book balance at the end of term
			Reversal	Write off	
Raw materials					

Goods in process					
Commodity stocks	13,135,590				13,135,590
Total	13,135,590				13,135,590

7.8 Long-term equity investment

7.8.1 Particulars of long-term equity investment

Unit: Yuan

Invest to	Calculation method	Investment cost	Beginning balance	Change	End balance	Proportion of shareholding in the invested unit	Proportion of voting power in the invested unit	Explanation for difference between the proportion of shareholding and proportion of voting power in the invested unit	Impairment provision	Accrued depreciation provision	Cash dividend
Yantai Dingtao Construction and Development Co., Ltd. (“Yantai Dingtao”)	Cost method	10,000,000	10,000,000		10,000,000	18%	18%		10,000,000		
Total	--	10,000,000	10,000,000		10,000,000	--	--	--	10,000,000		

7.8.2 Restrictions of ability to transfer capitals to the invested company

Nil

7.9 Fixed assets

7.9.1 Particulars of fixed assets

Unit: Yuan

Item	Book balance at the beginning of term	Increase		Decrease	Book balance at the end of term
1. Total original book value	2,725,164,423	131,447,777		215,475	2,856,396,725
Including: buildings	1,464,646,808	117,927,639			1,582,574,447
Machineries and equipment	1,236,192,126	12,651,837		215,475	1,248,628,488
Motor vehicles	24,325,489	868,301			25,193,790
--	Book balance at the beginning of term	Increase	Accrual	Decrease	Book balance at the end of term
2. Total accumulated depreciation:	807,523,079		65,837,616	204,478	873,156,217
Including: buildings	222,433,019		21,839,667		244,272,686
Machineries and equipment	565,658,995		42,236,359	204,478	607,690,876
Motor vehicles	19,431,065		1,761,590		21,192,655
--	Book balance at the beginning of term	--			Book balance at the end of term
3. Total net book value of fixed assets	1,917,641,344	--			1,983,240,508
Including: buildings	1,242,213,789	--			1,338,301,761
Machineries and equipments	670,533,131	--			640,937,612
Motor vehicles	4,894,424	--			4,001,135
4. Total impairment provision		--			
Including: buildings		--			
Machineries and equipment		--			
Motor vehicles		--			
5. Total book value of fixed assets	1,917,641,344	--			1,983,240,508
Including: buildings	1,242,213,789	--			1,338,301,761

Machineries and equipment	670,533,131	--	640,937,612
Motor vehicles	4,894,424	--	4,001,135

The depreciation amount of this term is RMB 65,837,616 Yuan and the original value of the fixed assets transferred from goods in process is RMB 64,707,925 Yuan.

7.9.2 Temporarily idle fixed assets

Nil

7.9.3 Fixed assets under finance leases

Nil

7.9.4 Fixed assets under operating lease

Nil

7.9.5 Fixed assets for sale at the end of term

Nil

7.9.6 Fixed assets without property certificates

Item	Reason for not receiving property certificate	Time to get the property certificate
Beijing Chateau European Town, Main Building and Service Building	Under transaction	2014
Ningxia Mosel Chateau	Under transaction	2014
Changyu (Jingyang) Vintage Workshop	Under transaction	2014
Xinjiang Tianzhu Fermentation and Storage Workshop	Under transaction	2014
Ice Wine Chateau Office Building and Packing Workshop	Under transaction	2014
Office of Sales Company Provincial Sub-office	Under transaction	2014
Kylin Packaging Finish Goods Warehouse and Workshop	Under transaction	2014

Fermentation Centre Office Tower, Laboratory Building and Workshop	Under transaction	2014
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7.10 Construction in progress

7.10.1 Construction in progress

Unit: Yuan

Item	Ending sum			Beginning sum		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction and Reconstruction Project of Joint-stock Company	650,821		650,821	269,802		269,802
Xinjiang Tianzhu Technological Innovation Reconstruction Project	306,369		306,369	1,018,309		1,018,309
Kylin Packaging Workshop Production Line Installation Project	133,800		133,800	19,800		19,800
Yantai Chateau Mu Ziguo Vineyard Project	14,496,700		14,496,700	10,619,000		10,619,000
Ningxia Chateau Road Project	600,000		600,000	600,000		600,000
Sales Company Building Project	70,914,652		70,914,652	66,682,027		66,682,027
Jingyang Fermentation Workshop Reconstruction Project	158,569		158,569	158,569		158,569
Ningxia United Brewing Workshop Project	1,464,202		1,464,202	1,464,202		1,464,202
Shihezi Chateau Construction Project	116,448,859		116,448,859	152,871,244		152,871,244
Ningxia Chateau Construction Project	141,362,231		141,362,231	92,062,210		92,062,210
Xianyang Chateau Construction Project	506,218,846		506,218,846	403,657,745		403,657,745
R&D Center Construction Project	675,182,369		675,182,369	558,716,989		558,716,989
Tinlot Chateau Construction Project	137,381,887		137,381,887	119,074,949		119,074,949
Huanren Brewing Workshop Construction Project	22,911,424		22,911,424	16,439,684		16,439,684
French House Reconstruction	323,874		323,874			
Total	1,688,554,603		1,688,554,603	1,423,654,530		1,423,654,530

7.10.2 Changes of major construction in progress

Unit: Yuan

Item	Budget	Beginning sum	Increase	Transferred to fixed assets	Other decrease	Proportion of project input in budget (%)	Construction progress	Accumulative capitalization amount of interest	Including: capitalization amount of interest in this term	Capitalization ratio of interest in this term (%)	Capital source	Ending sum
Construction and Reconstruction Project of Joint-stock Company	201,440,000	269,802	381,019			90.4%					Self-financing	650,821
Xinjiang Tianzhu Technological Innovation Reconstruction Project	3,500,000	1,018,309	1,766,298	2,478,238		85.5%					Self-financing	306,369
Kylin Packaging Workshop Production Line Installation Project	6,200,000	19,800	122,760	8,760		88.9%					Self-financing	133,800
Yantai Chateau Mu Ziguo Vineyard Project	30,000,000	10,619,000	3,877,700			48.3%					Self-financing	14,496,700
Ningxia Chateau Road Project	600,000	600,000				100%					Self-financing	600,000
Sales Company Building Project	106,350,000	66,682,027	4,232,625			120.9%					Self-financing	70,914,652
Jingyang Fermentation Workshop Reconstruction Project	26,000,000	158,569				72.8%					Self-financing	158,569
Ningxia United Brewing Workshop Project	58,700,000	1,464,202				98%					Self-financing	1,464,202
Shihezi Chateau Construction Project	750,000,000	152,871,244	25,444,545	61,866,930		78.4%					Self-financing	116,448,859
Ningxia Chateau Construction Project	284,150,000	92,062,210	49,300,021			121.7%					Self-financing	141,362,231
Xianyang Chateau Construction Project	440,740,000	403,657,745	102,915,098	353,997		115%					Self-financing	506,218,846
R&D Center	1,693,970,000	558,716,989	116,465,380			44.3%					Self-financing	675,182,369

Item	Budget	Beginning sum	Increase	Transferred to fixed assets	Other decrease	Proportion of project input in budget (%)	Construction progress	Accumulative capitalization amount of interest	Including: capitalization amount of interest in this term	Capitalization ratio of interest in this term (%)	Capital source	Ending sum
Construction Project												
Tinlot Chateau Construction Project	152,400,000	119,074,949	18,306,938			90.1%					Self-financing	137,381,887
Huanren Brewing Workshop Construction Project	15,000,000	16,439,684	6,471,740			152.7%					Self-financing	22,911,424
French House Reconstruction			323,874								Self-financing	323,874
Total	3,769,050,000	1,423,654,530	329,607,998	64,707,925		--	--			--	--	1,688,554,603

As at June 30, 2014, there is no indication for impairment in construction in process of the Group, so no provision is made.

7.11 Productive biological assets

7.11.1 Calculating by cost

Unit: Yuan

Item	Book balance at the beginning of term	Increase	Decrease	Book balance at the end of term
1. Plantation				
Grape Seedling	101,794,515	21,661,547	337,724	123,118,338
Total	101,794,515	21,661,547	337,724	123,118,338

As at June 30, 2014, no ownership of the biological asset is restricted.

As at June 30, 2014, there is no indication that biological assets may be impaired, and no provision is made.

7.12 Intangible assets

7.12.1 Particulars of intangible assets

Unit: Yuan

Item	Book balance at the beginning of term	Increase	Decrease	Book balance at the end of term
1. Total original book value	328,166,462	7,973,379		336,139,841
Land use right	301,043,015			301,043,015
Software fee	27,123,447	7,973,379		35,096,826
2. Total accumulated amortization	32,036,708	4,914,237		36,950,945
Land use right	27,687,916	3,786,614		31,474,530
Software fee	4,348,792	1,127,623		5,476,415
3. Total net book value of intangible assets	296,129,754			299,188,896
Land use right	273,355,099			269,568,485
Software fee	22,774,655			29,620,411
4. Total depreciation provision				
Land use right				
Software fee				
Total book value of intangible assets	296,129,754			299,188,896
Land use right	273,355,099			269,568,485
Software fee	22,774,655			29,620,411

The amortization amount in current period is RMB 4,914,237 Yuan.

As at June 30, 2014, there are no restricted intangible assets.

7.13 Goodwill

Unit: Yuan

Name of the invested unit or formed goodwill	Balance at the beginning of term	Increase	Decrease	Balance at the end of term	Impairment provision at the end of term
France Trading	13,112,525			13,112,525	
Total	13,112,525			13,112,525	

7.14 Long term prepaid expenses

Unit: Yuan

Item	Beginning sum	Increase	Amortization	Other decrease	Ending sum	Reason for other decrease
Land lease fees	62,501,074		650,636		61,850,438	
Land-use fees	48,391,000		525,293		47,865,707	
Afforestation fees	43,693,264	3,747,232	5,284,388		42,156,108	
Other	10,936,465	14,298,489	853,339		24,381,615	
Total	165,521,803	18,045,721	7,313,656		176,253,868	--

7.15 Deferred tax assets and liabilities

7.15.1 Deferred tax assets and liabilities aren't presented in net amounts after setoff.

Confirmed deferred tax assets and liabilities

Unit: Yuan

Item	Ending sum	Beginning sum
Deferred tax assets:		
Asset impairment provision	7,632,005	7,632,005
Organization cost	31,637,235	24,346,814
Deductible loss	98,006,614	84,493,108
Unrealized profits from inter-company transactions	12,790,305	19,635,738
Unpaid bonus	4,440,489	4,877,490
Early retirement benefit	16,412,794	17,547,935
Deferred income	170,919,442	158,533,090
Subtotal	7,632,005	7,632,005
Deferred tax liabilities:		
Appraisement of trading financial instruments and derivative financial instruments		
Change of fair value of financial assets for sale included in the capital reserve		
Fair value adjustment in business combination under non-common control	5,336,115	5,336,115
Subtotal	5,336,115	5,336,115

Unconfirmed deferred tax assets

Unit: Yuan

Item	Ending sum	Beginning sum
Deductible temporary difference		
Deductible loss	20,440,916	20,440,916
Total	20,440,916	20,440,916

Deductible losses not confirmed for deferred tax assets will expire in:

Unit: Yuan

Year	Ending sum	Beginning sum	Remark
2014	19,077,494	19,077,494	
2015	1,363,422	1,363,422	
Total	20,440,916	20,440,916	--

Taxable differences and deductible differences

Unit: Yuan

Item	Temporary difference	
	At the end of term	At the beginning of term
Taxable difference		
Fair value adjustment in business combination under non-common control	21,344,460	21,344,460
Subtotal	21,344,460	21,344,460
Deductible difference		
Unrealized profits from inter-company transactions	392,026,455	337,972,438
Unpaid bonus	51,161,218	78,542,951
Early retirement benefit	17,761,953	19,509,959
Provision for impairment	30,528,019	30,528,019
Deductible loss	126,548,940	97,387,257
Deferred income	90,068,942	96,526,843
Subtotal	708,095,527	660,467,467

7.16 Provision for impairment of assets

Unit: Yuan

Item	Book balance at the beginning of term	Increase	Decrease		Book balance at the end of term
			Reversal	Write off	

Bad debt provision	7,392,429			7,392,429
Inventory impairment provision	13,135,590			13,135,590
Provision for impairment of long-term equity investment	10,000,000			10,000,000
Total	30,528,019			30,528,019

7.17 Other non-current assets

Unit: Yuan

Item	Ending sum	Beginning sum
1. Receivable Ningxia planting biological assets transfer expenses	21,370,902	21,370,902
2. Unconfirmed financing expenses	3,348,526	3,601,902
Total	24,719,428	24,972,804

7.18 Short-term loan

7.18.1 Classification of short-term loan

Unit: Yuan

Item	Ending sum	Beginning sum
Pledge loan	243,170,674	243,170,674
Collateralised loan		
Guaranteed loan		
Fiduciary loan		
Total	243,170,674	243,170,674

The Company signed a pledge loan contract with HSBC Bank (China) Company Limited Qingdao Branch on June 30, 2014 and borrowed a loan of HKD 303,963,343 from HSBC Bank (China) Company Limited Qingdao Branch with the bank deposit of RMB 125,000,000 Yuan as the pledge. The annual interest rate is 1.8%, and the term of loan is from July 5, 2013 to July 4, 2014.

7.19 Notes payable

Unit: Yuan

Type	Ending sum	Beginning sum
Commercial acceptance bill		
Bank's acceptance bill	1,670,000	5,765,694
Total	1,670,000	5,765,694

7.20 Accounts payable

7.20.1 Particulars of accounts payable

Unit: Yuan

Item	Ending sum	Beginning sum
Purchase goods and accept services	260,590,660	258,116,331

Total	260,590,660	258,116,331
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7.20.2 Accounts payable due from shareholders with voting rights of 5% (including 5%) or above in this term

Nil

7.20.3 Payables of significant amount aged more than one year

As at June 30, 2014, the Group has no significant outstanding balances aged more than one year.

7.21 Advances from customers

7.21.1 Particulars of advances from customers

Unit: Yuan

Item	Ending sum	Beginning sum
Advances from customers for selling goods	297,711,405	188,651,254
Total	297,711,405	188,651,254

7.21.2 Advances from customers due from shareholders with voting rights of 5% (including 5%) or above in this term

Nil

7.21.3 Advances from customers of significant amount aged more than one year

As at June 30, 2014, the Group has no advances from customers of significant amount aged more than one year.

7.22 Employee benefits payable

Unit: Yuan

Item	Book balance at the beginning of term	Increase	Decrease	Book balance at the end of term
1. Salaries and bonus	86,538,149	136,243,858	138,085,625	84,696,382
2. Staff benefit		6,135,714	6,135,714	
3. Staff welfare	177,262	21,980,068	20,806,176	1,351,154
Including: Medical insurance	153,590	6,950,160	6,628,248	475,502
Pension	23,449	13,098,745	12,344,003	778,191
Unemployment insurance	223	765,816	746,510	19,529
Injury insurance		608,310	567,754	40,556
Maternity insurance		557,037	519,661	37,376
4. Housing fund	9,932	4,407,744	4,174,880	242,796
5. Dismiss welfare	23,107,920	408,281	2,405,722	21,110,479
6. Other				

Item	Book balance at the beginning of term	Increase	Decrease	Book balance at the end of term
7. Union fee and education fee	2,382,001	1,042,241	1,078,150	2,346,092
8. Subsidy and allowance of employees	22,106,873	17,490	17,490	22,106,873
Total	134,322,137	170,235,396	172,703,757	131,853,776

There is no amount in arrears in the employee compensation payable.

The union fee and education fee is RMB 1,078,150 Yuan. There is no non-monetary welfare. The compensation for release of employees is RMB 2,405,722 Yuan.

7.23 Tax payable

Unit: Yuan

Item	Ending sum	Beginning sum
Value added tax	-20,715,939	862,414
Consumption tax	11,412,792	26,658,283
Business tax	148,131	4,348,055
Corporate income tax	59,107,848	142,079,369
Individual income tax	6,684,685	6,824,553
Urban maintenance and construction tax	2,704,544	6,016,703
Property tax	595,342	655,545
Urban land use tax	733,287	878,982
Other	2,706,687	6,089,526
Total	63,377,377	194,413,430

7.24 Interest payable

Unit: Yuan

Item	Ending sum	Beginning sum
Long-term loan interest of installment and interest charges, repayment of principal at maturity		
Enterprise bond interest		
Interest payable of short-term loan	4,279,802	2,152,059
Total	4,279,802	2,152,059

7.25 Other payables

7.25.1 Particulars of other payables

Unit: Yuan

Item	Ending sum	Beginning sum
Distributors deposit payable	160,076,917	215,888,735
Payable for trademark usage of the Group	43,413,264	78,986,198
Payables for equipment purchases, construction costs and transportation charges	74,910,291	63,133,029
Advertising expenses payable	140,624,078	51,854,647

Payables for deposit of suppliers	1,875,823	2,565,206
Other	81,506,614	84,873,815
Total	502,406,987	497,301,630

7.25.2 Other payable due from shareholders with voting rights of 5% (including 5%) or above in this term is as follows:

Unit: Yuan

Unit	Ending sum	Beginning sum
Yantai Changyu Group Co., Ltd.	43,413,264	78,986,198
Total	43,413,264	78,986,198

7.25.3 Other payables of significant amount aged more than one year

Unit	Amount payable	Outstanding reason
Dongbaiyan Village Economic Cooperatives, Jugezhuang Town, Miyun County	5,390,354	Time of payment is not reached.

7.26 Other current liability

Unit: Yuan

Item	Book balance at the end of term	Book balance at the beginning of term
1. Deferred income	12,545,801	12,915,801
Total	12,545,801	12,915,801

The deferred incomes are as follows:

Deferred income	Book balance at the end of term	Book balance at the beginning of term
Government allowance related to the assets		
Fund supporting major construction projects	4,033,000	4,403,000
Special fund for the development of emerging industries and key industries	3,159,227	3,159,227
Other	5,353,574	5,353,574
Subtotal	12,545,801	12,915,801

7.27 Other non-current liability

Unit: Yuan

Item	Book balance at the end of term	Book balance at the beginning of term
Employee compensation payable	4,755,794	4,755,794
Deferred income	77,523,141	83,611,041
Total	82,278,935	88,366,835

7.27.1 As at June 30, 2014, the employee compensation payable is the guarantee fund for working responsibility deducted per a certain ratio from the year-end bonuses of employees with the level above sales manager of the Company, which will pay from 2015 to 2016.

7.27.2 Government allowance

Unit: Yuan

Item of liabilities	Balance at the beginning of term	Amount of subsidy newly increased of this term	Amount counted into non-operating revenue of this term	Other changes	Balance at the end of term	Relating to assets/earnings
Ecological cycle mode construction of grape high-end wine culture industrial cluster area	2,520,000		300,000		2,220,000	Relating to earnings
Miyun County Committee Propaganda Department Transfer	4,444,725				4,444,725	Relating to assets
Grape base project	740,000		370,000		370,000	Relating to assets
Ningxia industrial revitalization and technical transformation project	14,360,000		1,066,500		13,293,500	Relating to assets
Industrial revitalization and technical transformation project	21,330,000		1,929,350		19,400,650	Relating to assets
Grape bulk wine brewing project	10,478,990		717,437		9,761,553	Relating to assets
Special fund for Wuyouyixin industrial cluster	180,000		30,000		150,000	Relating to assets
Changyu Chateau project	19,818,600		765,000		19,053,600	Relating to assets
Special fund for wine electronic traceability system	5,860,527		486,414		5,374,113	Relating to assets
Special fund for wine industry development	930,000				930,000	Relating to assets
Special fund for construction of Peninsula Blue Economic Zone	10,000,000		500,000		9,500,000	Relating to assets
Scientific research funds subsidy of National 863 Plan	64,000		3,200		60,800	Relating to assets
Technical transformation project of information system construction engineering	5,800,000		290,000		5,510,000	Relating to assets
Total	96,526,842		6,457,901		90,068,941	--
Minus: Non-current liabilities due within one year	12,915,801				12,915,801	
Other non-current liabilities	83,611,041				77,523,140	

7.28 Share capital

Unit: Yuan

	Beginning sum	Increase or decrease (+,-)					Ending sum
		Issue new shares	Allocate shares	Share transferred from accumulation fund	Other	Subtotal	
Total shares	685,464,000						685,464,000

7.29 Capital surplus

Unit: Yuan

Item	Beginning sum	Increase	Decrease	Ending sum
Capital premium (Share capital premium)	557,222,454			557,222,454
Other capital surplus	5,916,588			5,916,588
Total	563,139,042			563,139,042

7.30 Surplus reserve

Unit: Yuan

Item	Beginning sum	Increase	Decrease	Ending sum
Legal surplus	342,732,000			342,732,000
Free surplus				
Reserve fund				
Enterprise expansion fund				
Other				
Total	342,732,000			342,732,000

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 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.

7.31 Retained profits

Unit: Yuan

Item	Amount	Drawing or distribution percentage
Retained profits at the end of last year before adjustment	4,616,944,663	--
Total retained profits at the beginning of the year before adjustment (increase listed with +, and decrease listed with -)		--
Retained profits at the beginning of the year after adjustment	4,616,944,663	--
Plus: Net profit for owner of the parent company	638,041,311	--
Minus: Drawn legal surplus		
Drawn free surplus		
Drawn common risk provision		
Common dividend payable		

Common dividend transferred to share capital		
Retained profits at the end of term	5,254,985,974	--

According to the decision of the Shareholders' Meeting dated May 23, 2014, based on the issued share capital of 685,464,000 shares in 2013, the Company allocates RMB 5 Yuan in cash (including tax) for every 10 shares to all shareholders with total cash dividends of RMB 342,732,000 Yuan. Cash dividends had been issued on July 11, 2014.

7.32 Operating income and costs

7.32.1 Operating income and costs

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Major operating income	2,295,163,767	2,534,398,427
Other operating income	6,826,481	4,979,807
Operating cost	754,302,386	759,692,089

7.32.2 Operating income of top 5 clients of the Company

Unit: Yuan

Client	Major operating income	Proportion of total operating income of the Company
Foshan Nanhai District Dali Qianxingrong Wine Shop	18,770,871	0.8%
Hui'an County Luocheng Quanxing Famous Wine Commercial Firm	14,864,199	0.6%
Rui'an Xinyu Wine Commercial Firm	13,503,390	0.6%
Nonggongshang Supermarket (Group) Co., Ltd.	10,807,271	0.5%
Cangnan County Yupin Non-staple Food Business Department	10,379,162	0.5%
Total	68,324,893	3.0%

7.33 Taxes and surcharges

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term	Charging standard
Consumption tax	79,962,492	73,055,560	Partial brandy is levied at quantity and price of gross turnover. For all other products, the consumption tax is levied at 10% (20%) on taxable revenue.
Business Tax	986,148	1,314,203	Charged at 5% of the turnover
Urban maintenance and construction tax	27,466,029	25,752,918	Charges at 7% of the turnover tax payable
Education fee and surcharges	14,516,416	19,325,329	Charged at 3% (5%) of the turnover tax payable
Other	9,505,728	4,153,967	

Total	132,436,813	123,601,977	--
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7.34 Selling expenses

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Advertising expenses	262,899,061	343,122,722
Transportation & handling expenses	54,854,637	56,723,169
Trademark usage expenses	43,413,264	46,492,373
Storage expenses	16,033,875	16,924,301
Employee compensation	77,095,386	83,505,523
Travel expenses	9,635,193	9,860,937
Other	22,549,614	27,651,605
Total	486,481,030	584,280,630

7.35 Administrative expenses

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Employee compensation	34,965,528	40,198,248
Rental expenses	4,202,779	3,010,207
Depreciation expenses	13,603,951	12,105,187
Amortization expenses	5,312,584	3,337,799
Office expenses	6,430,712	5,987,623
Travel expenses	2,259,499	2,850,278
Business entertainment expenses	1,837,458	1,619,740
Building tax, stamp duty & other taxes	5,769,819	6,017,845
Repair expenses	4,364,445	4,831,854
Contracting expenses	9,231,363	6,401,260
Other	16,002,359	18,536,888
Total	103,980,497	104,896,929

7.36 Financial expenses

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Interest expenditure	3,161,233	6,802,656
Minus: Interest income	17,753,946	18,651,366
Plus: Commission charges	224,138	1,401,353
Exchange loss	114,190	-3,159,696
Total	-14,254,385	-13,607,053

7.37 Non-operation income

7.37.1 Particulars of non-operative income

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term	Amount counted into the current non-current profits/losses
Total gains on disposal of non-current assets		2,365	
Including: Gains on disposal of plant property and equipment		2,365	
Gains on disposal of intangible assets			
Gains on debt recombination			
Gains on exchange of non-monetary assets			
Gains on donations			
Government allowance	8,772,080	4,388,393	8,772,080
Other	672,716	1,284,736	672,716
Total	9,444,796	5,675,494	9,444,796

7.37.2 Government allowance counted into the current profits/losses

Unit: Yuan

Item of allowance	Amount incurred in this term	Amount incurred in last term	Belonging to non-current profits/losses or not
Funds to support major projects	4,052,500	2,728,236	Yes
Funds to support small and medium-sized Enterprises	2,078,674	352,210	Yes
Other	2,640,906	1,307,947	Yes
Total	8,772,080	4,388,393	--

7.38 Non-operation expenses

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term	Amount counted into the current non-current profits/losses
Total loss on disposal of non-current assets	10,897	392,956	10,897
Including: Loss on disposal of fixed assets	10,897	392,956	10,897
Loss on disposal of intangible assets			
Loss on debt recombination			
Loss on exchange of non-monetary assets			
Donation	15,000	20,000	15,000
Other	179,619	726,463	179,619
Total	205,516	1,139,419	205,516

7.39 Income tax

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Current income tax calculated in accordance with the tax law and relevant regulations	222,628,228	219,439,114
Adjusted deferred income tax	-12,386,352	25,036,402
Total	210,241,876	244,475,516

7.40 Computational process based on basic EPS and diluted EPS

Basic EPS is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	Jan.-Jun. 2014 RMB Yuan	Jan.-Jun. 2013 RMB Yuan
Earnings		
Net profit attributable to ordinary shareholders of the Company	638,041,311	740,574,221
Shares		
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share	0.93	1.08

The Company has no dilutive potential ordinary shares.

There are no matters resulting in the changes of ordinary shares or potential ordinary shares outstanding occurred from the date of balance sheet to the date of approval of this financial statement.

7.41 Other comprehensive earnings

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Converting difference from financial statements in foreign currency	-269,603	
Minus: Net profit or loss in this term transferred from disposal of overseas operation		
Subtotal	-269,603	
Total	-269,603	

7.42 Notes to cash flow statement

7.42.1 Cash received relating to other operating activities

Unit: Yuan

Item	Amount
Government allowance income	1,815,120

Other	6,533,816
Total	8,348,936

7.42.2 Cash paid relating to other operating activities

Unit: Yuan

Item	Amount
Selling expenses	293,202,949
Administrative expenses	35,097,252
Other	5,155,556
Total	333,455,757

7.43 Supplementary information to cash flow statement

7.43.1 Supplementary information to cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this term	Amount incurred in last term
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	638,041,311	740,574,221
Plus: Provision for impairment of assets		
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	66,175,340	62,307,414
Intangible assets amortization	4,914,237	2,940,030
Amortization of long term prepaid expenses	7,313,656	6,970,257
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “-”)	10,897	390,591
Losses on retirement of fixed assets (profit listed with “-”)		
Losses on fair value change (profit listed with “-”)		
Financial costs (profit listed with “-”)	-2,504,848	-11,170,965
Investment losses (profit listed with “-”)		
Decrease in deferred income tax assets (increase listed with “-”)	-12,386,352	25,036,402
Increase of deferred income tax liabilities (decrease listed with “-”)		
Decrease in inventories (increase listed with “-”)	357,764,305	258,147,903
Decrease in operating receivables (increase listed with “-”)	-101,390,868	-69,412,601
Increase in operating payable (decrease listed with “-”)	-68,262,547	-606,624,763
Other		
Net cash flows from operating activities	889,675,131	409,158,489
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond mature within 1 year		
Fixed assets under financing lease		
3. Changes of cash and cash equivalent:	--	--
Ending balance of cash	1,605,221,643	1,469,021,755

Supplementary materials	Amount incurred in this term	Amount incurred in last term
Minus: Opening balance of cash	956,558,932	1,562,294,026
Plus: Ending balance of cash equivalent		
Minus: Opening balance of cash equivalent		
Net increase amount of cash and cash equivalent	648,662,711	-93,272,271

7.43.2 Cash and cash equivalents

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
1. Cash	1,605,221,643	956,558,932
Including: Cash on hand	59,735	772,817
Bank deposits on demand	1,605,161,908	955,786,115
Other monetary capital on demand		
Due from central bank available for payment		
Due from the industry		
Inter-bank lending		
2. Cash equivalents		
Including: Bond investment mature within three months		
3. Balance of cash and cash equivalents at the end of term	1,605,221,643	956,558,932

8. Accounting treatment of asset securitization

Nil

9. Related parties and related transactions

9.1 Particulars of the parent company of the Company

Name of parent company	Association relationship	Type of enterprise	Registered place	Legal representative	Business nature	Registered capital	Proportion of shareholding of the parent company in this enterprise	Proportion of voting powers of the parent company in this enterprise	Final controlling parties of the enterprise	Organization code
Yantai Changyu Group Co., Ltd. (“Changyu Group Company”)	Controlling shareholder	Joint stock company	Yantai City	Sun Liqiang	Manufacturing	50,000,000	50.40%	50.40%	Jointly controlled by four parties: State-owned Assets Supervision and Administration Commission of Yantai Municipal Government, ILLVA Saronno Holding SPA, International Finance Corporation	265 645 824

										and Yantai Yuhua Investment & Development Co., Ltd.
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9.2 Particulars of the subsidiaries

Name of the subsidiary	Type of the subsidiary	Type of enterprise	Registered place	Legal representative	Business nature	Registered capital	Proportion of shareholding	Proportion of voting powers	Organization code
Beijing Changyu Sales and Distribution Co., Ltd.	Holding subsidiary	Limited company	Beijing City, China	Sun Jian	Sales	1,000,000	100%	100%	634 377 029
Yantai Kylin Packaging Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Yang Ming	Manufacturing	15,410,000	100%	100%	863 052 455
Yantai Changyu-Castel Wine Chateau Co., Ltd.	Holding subsidiary	Sino-foreign joint venture	Yantai City, Shandong Province, China	Sun Liqiang	Manufacturing	USD 5,000,000	70%	100%	730 682 613
Changyu (Jingyang) Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Xianyang City, Shaanxi Province, China	Wei Binsheng	Manufacturing	1,000,000	100%	100%	732 663 643
Yantai Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Jiang Hua	Sales	8,000,000	100%	100%	746 576 380
Langfang Development Zone Castel-Changyu Wine Co., Ltd.	Holding subsidiary	Sino-foreign joint venture	Langfang City, Hebei Province, China	Alan. Castel	Manufacturing	USD 6,108,818	49%	100%	735 624 56X
Changyu (Jingyang) Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Xianyang City, Shaanxi Province, China	Wei Binsheng	Sales	1,000,000	100%	100%	735 379 154
Langfang Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Langfang City, Hebei Province, China	Liu Wanqiang	Sales	1,000,000	100%	100%	737 388 150
Shanghai Changyu Sales and Distribution Co., Ltd.	Holding subsidiary	Limited company	Shanghai City, China	Zhou Hongjiang	Sales	1,000,000	100%	100%	749 571 075
Beijing Changyu AFIP Eco-agriculture Development Co., Ltd.	Holding subsidiary	Limited company	Miyun County, Beijing City, China	Sun Hongbo	Sales	1,000,000	100%	100%	585 851 395
Beijing Changyu AFIP Wine Chateau Co., Ltd.	Holding subsidiary	Limited company	Beijing City, China	Sun Liqiang	Manufacturing	110,000,000	70%	100%	780 953 469
Yantai Changyu Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Jiang Hua	Sales	5,000,000	100%	100%	783 487 627
Yantai Changyu Pioneer International Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Zhou Hongjiang	Sales	5,000,000	100%	100%	780 766 161
Hangzhou Changyu Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Hangzhou City, Zhejiang Province, China	Jiang Hua	Sales	500,000	100%	100%	788 283 631
Ningxia Changyu Grape-Growing Co., Ltd.	Holding subsidiary	Limited company	Yinchuan City, Ningxia Hui Autonomous Region, China	Shao Chunsheng	Planting	1,000,000	100%	100%	788 200 410
Huanren Changyu National Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Benxi City, Liaoning Province, China	Leng Bin	Sales	2,000,000	100%	100%	794 822 179
Liaoning Changyu Ice Wine Chateau Co., Ltd.	Holding subsidiary	Sino-foreign joint venture	Benxi City, Liaoning Province, China	Zhou Hongjiang	Manufacturing	26,300,000	51%	100%	747 128 301
Yantai Development Zone Changyu Trade Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Zhou Hongjiang	Sales	5,000,000	100%	100%	796 183 411
Shenzhen Changyu Wine	Holding	Limited	Shenzhen City,	Lin Pu	Sales	500,000	100%	100%	664 195 20X

Name of the subsidiary	Type of the subsidiary	Type of enterprise	Registered place	Legal representative	Business nature	Registered capital	Proportion of shareholding	Proportion of voting powers	Organization code
Marketing Ltd.	subsidiary	company	Guangdong Province, China						
Yantai Fushan District Changyu Trading Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Zhou Hongjiang	Sales	5,000,000	100%	100%	660 176 044
Beijing AFIP Meeting Center Co., Ltd.	Holding subsidiary	Limited company	Miyun County, Beijing City, China	Sun Hongbo	Service	500,000	100%	100%	669 926 112
Beijing AFIP Tourism and Culture Co., Ltd.	Holding subsidiary	Limited company	Miyun County, Beijing City, China	Liu Shilu	Tourism	500,000	70%	100%	676 627 372
Ningxia Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Yinchuan City, Ningxia Hui Autonomous Region, China	Li Jiming	Manufacturing	1,000,000	100%	100%	670 408 275
Yantai Changyu Tinlot Chateau Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Liu Quan	Wholesale and retail	80,000,000	100%	100%	683 222 859
Qing Tong Xia Changyu Wine Marketing Ltd.	Holding subsidiary	Limited company	Qingtongxia City, Ningxia Hui Autonomous Region, China	Liu Yuquan	Sales	500,000	100%	100%	694 334 151
Xinjiang Changyu Baron Balboa Chateau Co., Ltd.	Holding subsidiary	Limited company	Shihezi City, Xinjiang Uygur Autonomous Region, China	Sun Liqiang	Manufacturing	150,000,000	100%	100%	552 414 949
Ningxia Changyu Mosel XV Chateau Co., Ltd.	Holding subsidiary	Limited company	Yinchuan City, Ningxia Hui Autonomous Region, China	Zhou Hongjiang	Manufacturing	2,000,000	100%	100%	694 349 740
Shaanxi Changyu Ruina Chateau Co., Ltd.	Holding subsidiary	Limited company	Xiayang City, Shaanxi Province, China	Sun Liqiang	Manufacturing	20,000,000	100%	100%	552 180 142
Yantai Changyu Wine Research and Development Co., Ltd.	Holding subsidiary	Limited company	Yantai City, Shandong Province, China	Sun Liqiang	Manufacturing	500,000,000	100%	100%	555 235 76X
Changyu (Huanren) Wine Co., Ltd.	Holding subsidiary	Limited company	Benxi City, Liaoning Province, China	Zhou Hongjiang	Preparation for wine-making project	5,000,000	100%	100%	587 310 365
Xinjiang Changyu Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Shihezi City, Xinjiang Uygur Autonomous Region, China	Lin Pu	Sales	10,000,000	100%	100%	580 208 296
Xinjiang Changyu Wine Co., Ltd.	Holding subsidiary	Limited company	Shihezi City, Xinjiang Uygur Autonomous Region, China	Lin Pu	Manufacturing	10,000,000	100%	100%	580 222 610
Ningxia Changyu Trading Co., Ltd.	Holding subsidiary	Limited company	Yinchuan City, Ningxia Hui Autonomous Region, China	Zhou Hongjiang	Sales	1,000,000	100%	100%	054 609 428
Shaanxi Changyu Ruina Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Xiayang City, Shaanxi Province, China	Sun Liqiang	Sales	3,000,000	100%	100%	056 906 215
Penglai Changyu Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Penglai City, Shandong Province, China	Leng Bin	Sales	5,000,000	100%	100%	053 429 070
Laizhou Changyu Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Laizhou City, Shandong Province, China	Leng Bin	Sales	1,000,000	100%	100%	07440641-7
Xinjiang Tianzhu Wine Co., Ltd.	Holding subsidiary	Limited company	Shihezi City, Xinjiang Uygur Autonomous Region, China	Zhou Hongjiang	Manufacturing	75,000,000	60%	100%	787 604 261

Name of the subsidiary	Type of the subsidiary	Type of enterprise	Registered place	Legal representative	Business nature	Registered capital	Proportion of shareholding	Proportion of voting powers	Organization code
Etablissements RouilletFransac	Holding subsidiary		Cognac, France	Zhou Hongjiang	Trading	EUR 2,896,531	100%	100%	N/A
Beijing Changyu Trading Co., Ltd.	Holding subsidiary	Limited company	Beijing City, China	Pan Jianfu	Sales	500,000	100%	100%	098 908 809
Tianjin Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Tianjin City, China	Li Haiping	Sales	500,000	100%	100%	08301099-1
Fuzhou Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Fuzhou City, Fujian Province, China	Sun Guiyang	Sales	500,000	100%	100%	07976834-5
Nanjing Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Nanjing City, Jiangsu Province, China	Zhang Fuqian	Sales	500,000	100%	100%	08416861-9
Xianyang Changyu Pioneer Drinks Sales Co., Ltd.	Holding subsidiary	Limited company	Xianyang City, Shaanxi Province, China	Wei Binsheng	Sales	500,000	100%	100%	08818837-7
Shenyang Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Shenyang City, Liaoning Province, China	Xiao Yongjie	Sales	500,000	100%	100%	09789141-9
Jinan Changyu Pioneer Drinks Co., Ltd.	Holding subsidiary	Limited company	Jinan City, Shandong Province, China	Li Yingjun	Sales	500,000	100%	100%	07617957-x
Shanghai Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Shanghai City, China	Zhai Deqiang	Sales	500,000	100%	100%	08209497-8
Fuzhou Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Fuzhou City, Jiangxi Province, China	Li Shoukun	Sales	500,000	100%	100%	07903537-9
Shijiazhuang Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Shijiazhuang City, Hebei Province, China	Yi Longhai	Sales	500,000	100%	100%	08131179-0
Hangzhou Yuzefeng Trading Co., Ltd.	Holding subsidiary	Limited company	Hangzhou City, Zhejiang Province, China	Xiao Zhenbo	Sales	500,000	100%	100%	09760041-5
Jilin Province Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Changchun City, Jilin Province, China	Wang Bo	Sales	500,000	100%	100%	07364313-8
Beijing Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Beijing City, China	Pan Jianfu	Sales	500,000	100%	100%	06125269-0
Harbin Changyu Pioneer Wine Sales Co., Ltd.	Holding subsidiary	Limited company	Harbin City, Heilongjiang Province, China	Tan Jun	Sales	500,000	100%	100%	30082468-5
Hunan Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Changsha City, Hunan Province, China	Sun Junming	Sales	2,000,000	100%	100%	09446465-7
Yinchuan Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Yinchuan City, Ningxia Hui Autonomous Region, China	Ruan Shili	Sales	500,000	100%	100%	07384874-X
Kunming Changyu Pioneer Wine Co., Ltd.	Holding subsidiary	Limited company	Kunming City, Yunnan Province, China	Ma Long	Sales	500,000	100%	100%	08042997-3

9.3 Other related parties of the Company

Name of other related parties	Relationship with the Company	Organization code
Yantai Changyu Wine Culture Museum Co., Ltd.	Company controlled by the same parent company	258 258 654
Yantai Changyu International Window of the Wine City Company Limited	Company controlled by the same parent company	672 208 146
Yantai Shenma Packaging Co., Ltd.	Company controlled by the same parent company	553 393 350

Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.	Company controlled by the same parent company	726 203 923
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9.4 Transactions with related parties

9.4.1 List of purchasing goods and receiving services from related parties

Unit: Yuan

Related parties	Transactions	Method of procedure of pricing of the transactions	Amount incurred in this term		Amount incurred in last term	
			Amount	Percentage in similar transaction amount	Amount	Percentage in similar transaction amount
Yantai Changyu Wine Culture Museum Co., Ltd.	Purchasing goods	Negotiated price	2,536,312	0.34%	91,691	0.01%
Yantai Changyu International Window of the Wine City Company Limited	Purchasing goods	Negotiated price	269,090	0.04%	506	0.00%
Yantai Shenma Packaging Co., Ltd.	Purchasing goods	Negotiated price	60,982,785	8.08%	114,796,337	15.11%
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.	Purchasing goods	Negotiated price	1,176,307	0.16%	5,685,223	0.75%

List of selling goods and providing services to related parties

Unit: Yuan

Related parties	Transactions	Method of procedure of pricing of the transactions	Amount incurred in this term		Amount incurred in last term	
			Amount	Percentage in similar transaction amount	Amount	Percentage in similar transaction amount
Yantai Changyu Wine Culture Museum Co., Ltd.	Selling goods	Negotiated price	3,426,136	0.15%	1,573,313	0.06%
Yantai Changyu International Window of the Wine City Company Limited	Selling goods	Negotiated price	4,349,779	0.19%	2,292,885	0.09%
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.	Selling goods	Negotiated price	427,973	0.02%	725,827	0.03%

9.4.2 Related lease

Leasing list of the Company

Unit: Yuan

Name of the lessor	Name of the lessee	Type of the leased property	Beginning date	Ending date	Basis for lease fee	Confirmed lease fee in this term
Yantai Changyu Group Co., Ltd.	Yantai Changyu Wine Co., Ltd.	Warehouse and office building	January 1, 2012	December 31, 2016	Negotiated price	2,929,000

Pursuant to a lease contract signed between the Company and the Changyu Group Company,

starting from January 1, 2012, the Company may rent properties for operation purposes at a basic annual rental of RMB 5,858,000 Yuan, and the expired date is December 31, 2016. From January to June 2014, the rental expenses payable of the Group to the controlling company amounted to RMB 2,929,000 Yuan.

From January to June 2014, the rental expenses of the Group and the related parties accounted for 28.25% of the Group.

9.4.3 Other related party transactions

Item	Note	Amount incurred in this term	Amount incurred in last term
Trademark usage fee	(a)	43,413,264	46,492,373
Patents fee	(b)	25,000	25,000

All related party transactions are based on the negotiated price.

a. Trademark royalty contract

Pursuant to a trademark royalty contract dated May 18, 1997 signed by the Company and the Changyu Group Company, starting from September 18, 1997, the Company may use certain trademark of Changyu Group Company, which has 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.

From January to June 2014, patent fee paid to related parties accounted for 100% of the Group.

b. Patent implementation license

Pursuant to a patent implementation license dated May 18, 1997 signed by the Company and the Changyu Group Company, starting from September 18, 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 Yuan. The contract was expired on December 20, 2005. The Company renewed the contract on August 20, 2006 for 10 years. The annual patents usage fee payable by the Company to Changyu Group Company remained RMB 50,000 Yuan. From January to June 2014, the patents usage fee payable to Changyu Group Company amounted to RMB 25,000 Yuan.

From January to June 2014, patent fee paid to related parties accounted for 100% of the Group.

9.5 Accounts receivable and payable of the related parties

Accounts receivable from related parties by listed companies

Unit: Yuan

Item	Related parties	Ending sum		Beginning sum	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Yantai Changyu Wine Culture Museum Co., Ltd.	53,114			

Accounts receivable	Yantai Changyu International Window of the Wine City Company Limited			42,478	
Accounts receivable	Yantai Shenma Packaging Co., Ltd.			911,197	
Accounts receivable	Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.			2,567,129	
Other accounts receivable	Changyu Group Company	2,954,000			

Payable to related parties by listed companies

Unit: Yuan

Item	Related parties	Ending sum	Beginning sum
Accounts payable	Yantai Shenma Packaging Co., Ltd.	30,898,290	46,370,178
Accounts payable	Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.	2,186,684	4,520,101
Accounts payable	Yantai Changyu Wine Culture Museum Co., Ltd.		177,526
Accounts payable	Yantai Changyu International Window of the Wine City Company Limited	7,772	
Other accounts payable	Changyu Group Company	43,413,264	78,986,198
Other accounts payable	Yantai Shenma Packaging Co., Ltd.		165,230
Other accounts payable	Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.		52,760

10. Share payment

Nil

11. Contingency

11.1 Contingent liability caused by pending litigation and arbitration and financial influence

Nil

11.2 Contingent liability caused by providing debt guarantee for other units and financial influence

Nil

12. Commitment

12.1 Significant commitment

	End balance	Beginning balance
Capital commitment	725,600,000	1,253,880,000

13. Matters after balance sheet

13.1 Important matters after balance sheet

Nil

13.2 Distribution of profits after balance sheet

Unit: Yuan

Profits or dividends to be distributed	342,732,000
Allocated profits or dividends approved to declare upon discussion	342,732,000

According to the decision of the Shareholders' Meeting dated May 23, 2014, based on the issued share capital of 685,464,000 shares in 2013, the Company allocates RMB 5 Yuan in cash (including tax) for every 10 shares to all shareholders with total cash dividends of RMB 342,732,000 Yuan. Cash dividends had been issued on July 11, 2014.

14. Other important matters

Nil

15. Notes to financial statements of the parent company**15.1 Accounts receivable**

15.1.1 Accounts receivable

Unit: Yuan

Type	Ending sum				Beginning sum			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Accounts receivable of significant single amount and single accrued bad debt provision								
Accounts receivable of insignificant single amount and single accrued bad debt provision					1,600,968	100%		
Total		--		--	1,600,968	--		--

15.1.2 Accounts receivable transferred back or received in this term

Nil

15.1.3 Accounts receivable actually cancelled after verification in this term

Nil

15.1.4 Accounts receivable due from shareholders with voting rights of 5% (including 5%) or above in this term

Nil

15.2 Other accounts receivable

15.2.1 Other accounts receivable

Unit: Yuan

Type	Ending sum				Beginning sum			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Accounts receivable of significant single amount and single accrued bad debt provision	3,359,650,606	99.3%	7,392,429	0.22%	3,683,374,031	99.1%	7,392,429	0.20%
Accounts receivable of insignificant single amount and single accrued bad debt provision	22,245,695	0.7%			33,602,347	0.9%		
Total	3,381,896,301	--	7,392,429	--	3,716,976,378	--	7,392,429	--

Other accounts receivable of significant single amount and single accrued bad debt provision at the end of term

Unit: Yuan

Other accounts receivable	Book balance	Bad debt	Accrued proportion (%)	Reason
Tiantong Securities Co., Ltd.	7,392,429	7,392,429	100%	This company is in bankruptcy liquidation
Total	7,392,429	7,392,429	--	--

15.2.2 Other accounts receivable transferred back or received in this term

Nil

15.2.3 Other accounts receivable actually cancelled after verification in this term

Nil

15.2.4 Other accounts receivable due from shareholders with voting rights of 5% (including 5%) or above in this term

Unit: Yuan

Unit	Ending sum		Beginning sum	
	Book balance	Accrued bad debt	Book balance	Accrued bad debt
Yantai Changyu Group Co., Ltd.	2,954,000			
Total	2,954,000			

15.2.5 Nature or content of other accounts receivable of significant amount

Unit: Yuan

Unit	Amount	Nature or content of fund	Percentage of total other accounts receivable (%)
Xinjiang Changyu Baron Balboa Chateau Co., Ltd.	602,410,603	Incomings and outgoings	17.8%

Shaanxi Changyu Ruina Wine Sales Co., Ltd.	664,192,357	Incomings and outgoings	19.6%
Beijing Changyu AFIP Wine Chateau Co., Ltd.	535,382,294	Incomings and outgoings	15.8%
Ningxia Changyu Mosel XV Chateau Co., Ltd.	370,804,000	Incomings and outgoings	11.0%
Yantai Changyu Wine Research and Development Co., Ltd.	284,188,000	Incomings and outgoings	8.4%
Total	2,456,977,254	--	72.6%

15.2.6 Top 5 units of other accounts receivable

Unit: Yuan

Unit	Relationship with the Company	Amount	Period	Percentage of total other accounts receivable
Xinjiang Changyu Baron Balboa Chateau Co., Ltd.	Subsidiary	602,410,603	Within year 1	17.8%
Shaanxi Changyu Ruina Wine Sales Co., Ltd.	Subsidiary	664,192,357	Within year 1	19.6%
Beijing Changyu AFIP Wine Chateau Co., Ltd.	Subsidiary	535,382,294	Within year 1	15.8%
Ningxia Changyu Mosel XV Chateau Co., Ltd.	Subsidiary	370,804,000	Within year 1	11.0%
Yantai Changyu Wine Research and Development Co., Ltd.	Subsidiary	284,188,000	Within year 1	8.4%
Total	--	2,456,977,254	--	72.6%

15.3 Long-term equity investment

Unit: Yuan

Invest to	Calculation method	Cost of investment	Beginning balance	Movement for the year	Ending balance	Proportion of shareholding in the invested unit	Proportion of voting power in the invested unit (%)	Explanation for difference between the proportion of shareholding and proportion of voting power in the invested unit	Impairment provision	Accrued depreciation provision	Cash dividend
Xinjiang Tianzhu (a)	Cost method	60,000,000	60,000,000		60,000,000	60%	100%				
Kylin Packaging	Cost method	23,176,063	23,176,063		23,176,063	100%	100%				
Changyu Chateau (a)	Cost method	28,968,100	28,968,100		28,968,100	70%	100%				
AFIP Tourism	Cost method	350,000	350,000		350,000	70%	100%				
Pioneer International	Cost method	3,500,000	3,500,000		3,500,000	70%	100%				
Ningxia Growing	Cost method	1,000,000	1,000,000		1,000,000	100%	100%				
National Wines	Cost method	2,000,000	2,000,000		2,000,000	100%	100%				10,000,000
Ice Chateau (a)	Cost method	30,440,500	30,440,500		30,440,500	51%	100%				
Beijing Chateau (a)	Cost method	77,000,000	77,000,000		77,000,000	70%	100%				
Sales Company	Cost method	7,200,000	7,200,000		7,200,000	90%	100%				
Langfang Sales (b)	Cost method	100,000	100,000		100,000	10%	100%				474,283

Langfang Castel	Cost method	19,835,730	19,835,730		19,835,730	39%	100%				
Wine Sales	Cost method	4,500,000	4,500,000		4,500,000	90%	100%				40,000,000
Shanghai Sales (b)	Cost method	300,000	300,000		300,000	30%	100%				
Beijing Sales	Cost method	850,000	850,000		850,000	100%	100%				
Jingyang Sales (b)	Cost method	100,000	100,000		100,000	10%	100%				15,000,000
Jingyang Wine	Cost method	900,000	900,000		900,000	90%	100%				
Ningxia Wine	Cost method	1,000,000	1,000,000		1,000,000	100%	100%				
Ningxia Chateau	Cost method	2,000,000	2,000,000		2,000,000	100%	100%				
Tinlot Chateau	Cost method	80,000,000	80,000,000		80,000,000	100%	100%				
Shihezi Chateau	Cost method	150,000,000	150,000,000		150,000,000	100%	100%				
Chang'an Chateau	Cost method	20,000,000	20,000,000		20,000,000	100%	100%				
Development Centre	Cost method	500,000,000	500,000,000		500,000,000	100%	100%				
Huanren Wine	Cost method	5,000,000	5,000,000		5,000,000	100%	100%				
Yantai Dingtao	Cost method	10,000,000	10,000,000		10,000,000	18%	18%		10,000,000		
France Trading	Cost method	29,988,530	29,988,530		29,988,530	100%	100%				
Total	--	1,058,208,923	1,058,208,923		1,058,208,923	--	--	--	10,000,000		65,474,283

- (a) The Company holds 100% of the voting power and interests of those are not wholly-owned subsidiaries by contracted operation and paying contracting fees. Refer to Notes 6.1.
- (b) The Company holds 100% of the voting power of those subsidiaries by indirect holding.
- From January to June 2014, there was no significant restriction on the remittance of fund from the invested units to the Company.

15.4 Operating income and cost

15.4.1 Operating income

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
Major operating income	684,914,588	687,497,638
Other operating income	4,982,691	27,585,498
Total	689,897,279	715,083,136
Operating cost	565,744,989	585,109,268

15.4.2 Operating income of top 5 clients of the Company

Unit: Yuan

Client	Total operating income	Proportion of total operating income of the Company
Sales Company	624,864,715	90.6%
Penglai Wine	19,640,021	2.8%
Jingyang Wine	13,546,330	2.0%
Langfang Castel	11,789,340	1.7%
Laizhou Sales	9,645,837	1.4%
Total	679,486,243	98.5%

15.5 Investment income

15.5.1 Particulars of investment income

Unit: Yuan

Item	Amount incurred in this term	Amount incurred in last term
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Income from long-term equity investment by cost method	65,474,283	11,140,442
Income from long-term equity investment by equity method		
Income from disposal of long-term equity investment		
Investment income gained from disposal of financial assets held for trading		
Investment income gained from held-to-maturity investment in the beneficial period		
Investment income gained from financial assets held for sale		
Investment income gained from disposal of trading financial assets		
Investment income gained from held-to-maturity investment		
Income from investment in financial assets for sale		
Other		
Total	65,474,283	11,140,442

15.5.2 Income on long-term equity investment by cost method

Unit: Yuan

Invest to	Amount incurred in this term	Amount incurred in last term	Reason for change in this term
National Wines	10,000,000		
Langfang Sales	474,283		
Wine Sales	40,000,000	11,140,442	
Jingyang Sales	15,000,000		
Total	65,474,283	11,140,442	--

15.6 Supplementary information to consolidated cash flow statement

Unit: Yuan

Supplementary materials	Amount incurred in this term	Amount incurred in last term
1. Cash flows from operating activities calculated by adjusting the net profit:	--	--
Net profit	73,738,325	28,904,179
Plus: Provision for impairment of assets		
Depreciation of fixed assets, oil-and-gas assets and productive biological assets	19,048,033	19,808,610
Intangible assets amortization	1,186,538	1,121,540
Amortization of long term prepaid expenses		

Supplementary materials	Amount incurred in this term	Amount incurred in last term
Losses on disposal of fixed assets, intangible assets and other long-term assets (profit listed with “—”)		1,106
Losses on retirement of fixed assets (profit listed with “—”)		
Losses on fair value change (profit listed with “—”)		
Financial costs (profit listed with “—”)	-2,504,848	-11,170,965
Investment losses (profit listed with “—”)	-65,474,283	-11,140,442
Decrease in deferred income tax assets (increase listed with “-”)	4,562,647	5,809,621
Increase of deferred income tax liabilities (decrease listed with “—”)		
Decrease in inventories (increase listed with “-”)	99,370,116	110,238,935
Decrease in operating receivables (increase listed with “-”)	241,549,926	-208,855,353
Increase in operating payable (decrease listed with “-”)	-169,871,438	543,489,465
Other		
Net cash flows from operating activities	201,605,016	478,206,696
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
Debt transferred into assets		
Convertible corporate bond mature within 1 year		
Fixed assets under financing lease		
3. Changes of cash and cash equivalent:	--	--
Ending balance of cash	619,101,335	833,162,361
Minus: Opening balance of cash	197,150,989	425,084,049
Plus: Ending balance of cash equivalent		
Minus: Opening balance of cash equivalent		
Net increase amount of cash and cash equivalent	421,950,346	408,078,312

16. Supplementary materials

16.1 List of current non-current profits/losses

Unit: Yuan

Item	Amount	Remark
Profits/losses on disposal of non-current assets (including write-off amount accrued provision for impairment of assets)	-10,897	
Tax return, deduction and exemption approved beyond the authority or without formal approval document	0	

Item	Amount	Remark
Government allowance included in the current profits/losses (excluding those closely related to the enterprise business and enjoyed in accordance with the unified standard quota or ration of the state)	8,772,080	
Payment for use of funds by non-financial enterprises included in the current profits/losses		
Income obtained when the investment cost obtained by the enterprise from subsidiaries, associated enterprises and cooperative enterprises is less than the fair value of the net identifiable assets obtained from the invested units when the investment is made		
Profits/losses on exchange of non-monetary assets		
Profits/losses on entrusting other people to make investment or manage assets		
Asset impairment provision accrued due to force majeure such as natural disaster		
Profits/losses on debt restructuring		
Enterprise reorganization expenses such as staffing expenditure and integration expenses		
Profits/losses on those beyond the fair value generated from transactions with unfair transaction price		
Current net profits/losses on subsidiaries acquired from a business combination under common control from the beginning to the consolidation date		
Profits/losses on contingencies unrelated to the normal business of the Company		
Profits/losses on changes of fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and financial assets held for sale, excluding effective hedging operations relevant to the normal business of the Company		
Returns of provision for impairment of accounts receivable with single impairment test		
Profits/losses on external entrusted loans		
Profits/losses on fair value changes of investment real estate with fair value mode for follow-up measurement		
Influence of the one-time adjustment of the current profits/losses in accordance with tax and accounting laws and regulations on		

Item	Amount	Remark
the current profits/losses		
Trustee fee income from entrusted operation		
Other non-operating income and expenditure besides the above items	478,097	
Other profits/losses conforming to the definition of non-current profits/losses		
Minus: Influenced amount of income tax	1,098,823	
Influenced amount of minority shareholders' equity (after-tax)		
Total	8,140,457	--

16.2 Accounting data difference under domestic and foreign accounting standard

16.2.1 Net profits & net assets difference disclosed in the financial report according to the international accounting standard and Chinese accounting standard

Unit: Yuan

	Net profits belonging to shareholders of listed companies		Net assets belonging to shareholders of listed companies	
	Amount in this term	Amount in last term	End sum	Beginning sum
In accordance with the Chinese accounting standard	638,041,311	740,574,221	6,846,051,413	6,208,279,705
Item & amount adjusted in accordance with the international accounting standard				
In accordance with the international accounting standard	638,041,311	740,574,221	6,846,051,413	6,208,279,705

16.3 Return on net assets and earnings of per share

Unit: Yuan

Profit incurred in this term	Weighted average return on net assets	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to common shareholders of the Company	9.77%	0.93	0.93
Net profit attributable to common shareholders of the Company deducting non-incident profits/(losses)	9.65%	0.92	0.92

16.4 Abnormalities in main accounting statements of the Company and reason

Assets and liabilities	Ending balance	Beginning balance	More or less (%)	Reason for changes
Monetary capital	1,861,541,927	1,367,818,182	36.10%	Mainly because of the reducing of monetary capital for operation and investment activities
Notes receivable	270,389,669	79,702,753	239.25%	Mainly because of the increasing of received banker's acceptance
Prepayment	12,631,073	45,997,863	-72.54%	Mainly because of the settlement with suppliers after receiving goods.
Inventory	1,763,353,132	2,121,117,437	-16.87%	Mainly because of the stock decreasing due to the distribution during the spring festival
Advance Payment	297,711,405	188,651,254	57.81%	Mainly because of the increasing of customers' prepayment
Taxes payable	63,377,377	194,413,430	-67.40%	Mainly because of paying the income tax of last year
Profit and cash flow statement	Amount in the period	Amount in last period	More or less (%)	Reason for changes
Operating income	2,301,990,248	2,539,378,234	-9.35%	The decrease of sales revenue for the high-end wine, comparing with the same period of last year.
Operating cost	754,302,386	759,692,089	-0.71%	The changes of sales products structure, the proportion of high-end products declining, the proportion of low quality products increasing, the increasing of raw material including grapes
Sales expense	486,481,030	584,280,630	-16.74%	According to the market situation, appropriately compressing marketing investment
Income tax expense	210,241,876	244,475,516	-14.00%	The decrease of net profit, comparing with the same period of last year.
Net cash flows from operating activities	889,675,131	409,158,489	117.44%	It is mainly because that the cash outflows in each operating activity are reduced.
Net cash flows from investing activities	-240,974,464	-502,430,760	52.04%	It is mainly because that the cash paid for purchasing the fixed deposit with the term of over 3 months are reduced.
Net increase amount of cash and cash equivalent	648,662,711	-93,272,271	795.45%	It is mainly because that the net cash flows from operating activities and investing activities are increased.

X、 Catalogue of Documents for Future Reference

- 1、 Semi-annual reports signed by the president;
- 2、 Financial reports signed and affixed the seal by the president, financial administrator in charge of accounting and chief of accounting department;
- 3、 All documents published on the newspaper designated by China Securities Regulatory Commission in the reporting term;
- 4、 Articles of Association;
- 5、 Other relevant documents.

Yantai Changyu Pioneer Wine Company Limited

Board of Director

27th August, 2014