



**ANHUI GUJING DISTILLERY COMPANY LIMITED**

**2015 Semi-annual Report**

**August 2015**

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## **Section I. Important Reminders, Contents & Definitions**

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Anhui Gujing Distillery Company Limited (hereinafter referred to as “the Company”) warrant that this report is factual, accurate and complete without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors attended the board session for reviewing this report.

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

Liang Jinhui, company principal, Ye Changqing, chief of the accounting work, and Zhu Jiafeng, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

This report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

## Definitions

Term	Refers to	Definition
Company, the Company, Gu Jing	Refers to	Anhui Gujing Distillery Company Limited
Group, the Group	Refers to	Anhui Gujing Distillery Company Limited (consolidated)
Gujing Group	Refers to	Anhui Gujing Group Co., Ltd.
Anhui Longrui Glass Co., Ltd	Refers to	Bozhou Gujing Glass Products Co., Ltd.

## Section II. Company Profile

### I. Basic information of the Company

Stock abbreviation	GJGJ, GJGB	Stock code	000596, 200596
Stock exchange listed with	Shenzhen Stock Exchange		
Chinese name of the Company	安徽古井贡酒股份有限公司		
Abbr. of the Chinese name of the Company (if any)	古井		
English name of the Company (if any)	ANHUI GUJING DISTILLERY COMPANY LIMITED		
Abbr. of the English name of the Company (if any)	GU JING		
Legal representative of the Company	Liang Jinhui		

### II. Contact information

	Company Secretary	Securities Affairs Representative
Name	Ye Changqing	Ma Junwei
Contact address	Gujing Town, Bozhou City, Anhui Province, P.R.China	Gujing Town, Bozhou City, Anhui Province, P.R.China
Tel.	(0558) 5712231	(0558) 5710057
Fax	(0558) 5317706	(0558) 5317706
E-mail	ycq@gujing.com.cn	gjzqb@gujing.com.cn

### III. Other information

#### 1. Ways to contact the Company

Did any change occur to the registered address, office address and their postal codes, website address and email address of the Company during the reporting period?

Applicable  Inapplicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the reporting period. The said information can be found in the 2014 Annual Report.

## **2. About information disclosure and where this report is placed**

Did any change occur to information disclosure media and where this report is placed during the reporting period?

Applicable  Inapplicable

The newspapers designated by the Company for information disclosure, the website designated by CSRC for disclosing this report and the location where this report is placed did not change during the reporting period. The said information can be found in the 2014 Annual Report.

## **3. Changes in the registered information**

Did any change occur to the registered information during the reporting period?

Applicable  Inapplicable

The registration date and place of the Company, its business license No., taxation registration No. and organizational code did not change during the reporting period. The said information can be found in the 2014 Annual Report.

## Section III. Highlights of Accounting Data & Financial Indicators

### I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of any accounting policy or correction of any accounting error?

Yes  No

	Reporting period	Same period of last year	YoY +/- (%)
Operating revenues (RMB Yuan)	2,713,042,828.92	2,390,158,949.76	13.51%
Net profit attributable to shareholders of the Company (RMB Yuan)	380,504,804.17	357,806,197.58	6.34%
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	368,258,604.21	349,115,748.43	5.48%
Net cash flows from operating activities (RMB Yuan)	336,217,657.83	-76,213,052.44	541.15%
Basic EPS (RMB Yuan/share)	0.76	0.71	7.04%
Diluted EPS (RMB Yuan/share)	0.76	0.71	7.04%
Weighted average ROE (%)	8.75%	9.33%	-0.58%
	As at the end of the reporting period	As at the end of last year	+/- (%)
Total assets (RMB Yuan)	7,034,173,483.78	6,413,518,166.03	9.68%
Net assets attributable to shareholders of the Company (RMB Yuan)	4,516,257,599.46	4,181,050,977.96	8.02%

### II. Differences between accounting data under domestic and overseas accounting standards

#### 1. Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

Applicable  Inapplicable

No difference.

#### 2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable  Inapplicable

No difference.

**III. Items and amounts of extraordinary gains and losses**√Applicable  Inapplicable

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-561,466.87	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	3,021,627.75	
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	7,622,904.98	
Non-operating income and expense other than the above	6,245,200.75	
Less: Income tax effects	4,082,066.65	
Total	12,246,199.96	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

 Applicable  Inapplicable

No such cases in the reporting period.



## Section IV. Report of the Board of Directors

### I. Overview

The first half of 2015 saw the downward pressure building up on the domestic and foreign economies, the distilled spirit industry still in a period of adjustment and no marked turnaround for the weak consumer demand. Therefore, the distilled spirit has to deal with great pressure for some timer longer amid fierce competition on the market.

Under the common efforts of the board and all the other staff, for the six months from January to June 2015, the Company achieved operating revenues of RMB 2.713 billion, up 13.51% year on year; and net profits of RMB 380 million, representing a year-on-year growth of 6.34%. As such, the operating goals that we had set for the first half of 2015 at the beginning of the year were all accomplished. To achieve that, we took the following main measures in the reporting period: ① beefing up the internationalization of our brand to improve our brand image at home and abroad; ② optimizing our market competitive strategy through pushing forward the campaign to bring our products to more channels, stores and consumers as well as through expanding our marketing channels to low-tier cities; ③ further improving our brewing technique to increase our product quality steadily; and ④ vitalizing our operation mechanism, promoting marketization within the Company and enhancing cost control.

### II. Main business analysis

YoY movements in major financial data:

Unit: RMB Yuan

	Reporting period	Same period of last year	YoY +/-%	Main reasons for movements
Operating revenues	2,713,042,828.92	2,390,158,949.76	13.51%	
Operating costs	827,578,527.59	734,083,360.31	12.74%	
Selling expenses	794,226,823.89	706,159,566.91	12.47%	
Administrative expenses	237,926,770.64	239,125,781.91	-0.50%	
Financial expenses	-8,593,975.74	-32,364,892.13	73.55%	The discounting fees for activating notes increased while the gains on wealth management banking products decreased.
Income tax expenses	132,550,174.27	126,941,933.36	4.42%	
Net cash flows from operating activities	336,217,657.83	-76,213,052.44	541.15%	Increased sales income and activated notes through discounting
Net cash flows from investing activities	-114,449,347.71	-204,715,450.66	44.09%	The industrial park construction completed

				and the relevant inputs thus decreased.
Net increase in cash and cash equivalents	221,768,310.12	-280,928,503.10	178.94%	The sales income increased.

Major changes in the profit structure or sources of the Company during the reporting period:

Applicable  Inapplicable

No such cases in the reporting period.

Reporting period progress of the future development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

Applicable  Inapplicable

No such cases.

Review the reporting period progress of any previously disclosed business plan:

In the reporting period, we carried out our work according to our development strategy and annual operating plan, with the progress meeting the schedule.

### III. Breakdown of main business

Unit: RMB Yuan

	Operating revenue	Operating cost	Gross profit rate	Increase/decrease of operating revenue over last year	Increase/decrease of operating cost over last year	Increase/decrease of gross profit rate over last year
Classified by industry:						
Manufacture	2,697,122,601.21	812,852,316.96	69.86%	13.89%	13.89%	0.00%
Classified by product:						
Distilled spirit products	2,648,849,751.45	793,251,232.79	70.05%	13.88%	15.45%	-0.41%
Hotel service	38,945,966.46	15,857,465.85	59.28%	11.24%	-23.23%	18.28%
Other	9,326,883.30	3,743,618.32	59.86%	32.63%	-36.84%	44.15%
Classified by region:						
Domestic	2,695,830,008.55	812,441,800.25	69.86%	13.84%	13.83%	0.00%
Overseas	1,292,592.66	410,516.71	68.24%	--	--	--

### IV. Core competitiveness analysis

In the reporting period, no changes occurred to our core competitiveness in equipment, patents, non-proprietary technology, franchise rights, land use rights, trademark use rights, etc., with no impact on the Company.

## V. Investment analysis

### 1. Investments in equities of external parties

#### (1) Investments in external parties

Applicable  Inapplicable

No such cases in the reporting period.

#### (2) Equity-holdings in financial enterprises

Applicable  Inapplicable

No such cases in the reporting period.

#### (3) Securities investments

Applicable  Inapplicable

Variety of securities	Code of securities	Name of securities	Initial investment cost (RMB Yuan)	Number of shares held at period-begin	Shareholding percentage at period-begin	Number of shares held at period-end	Shareholding percentage at period-end	Closing book value (RMB Yuan)	Gain/loss for reporting period (RMB Yuan)	Accounting title	Source of stock
Stock	601988	ZGYH	28,026,138.48	9,625,200	0.00%	10,115,100	0.00%	49,462,839.00		Available-for-sale financial assets	Purchased with our own funds
Stock	000001	PAYH	19,080,559.51	1,602,800	0.01%	2,095,920	0.01%	30,474,676.80		Available-for-sale financial assets	Purchased with our own funds
Stock	600373	ZWCM	91,133,996.80	0	0.00%	6,445,120	0.47%	154,425,074.20		Available-for-sale financial assets	Purchased with our own funds
Total			138,240,694.79	11,228,000	--	18,656,140	--	234,362,590.00	0.00	--	--
Disclosure date of the board announcement on approval of the securities investment											

Disclosure date of the general meeting announcement on approval of the securities investment (if any)	
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#### (4) Shareholdings in other listed companies

Applicable  Inapplicable

No such cases in the reporting period.

## 2. Wealth management entrustment, derivative investments and entrustment loans

### (1) Wealth management entrustment

Applicable  Inapplicable

No such cases in the reporting period.

### (2) Derivative investments

Applicable  Inapplicable

Unit: RMB Ten Thousand

Operator	Relationship	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets	Actual gain/losses in reporting period
		No	Reverse repurchase of national debt	0	2015/01/02	2015/06/19	18,071.22		0	0.00%	189.9
Total				0	--	--	18,071.22		0	0.00%	189.9
Source of the entrusted funds				Self-owned funds of the Company							
Cases involving lawsuit (if applicable)				Naught							
Disclosure date of the board announcement approving the derivative investments (if any)				2013/08/30							
Disclosure date of the board of shareholders											

announcement approving the derivative investments (if any)	
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System.
Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	Naught
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	Naught
Specific opinion from independent directors on the Company's derivatives investment and risk control	The sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds; in order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting; the derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, the Company has been agreed to conduct derivative investment of reverse repurchase of national debt under the line of RMB 0.3 billion.

### (3) Entrustment loans

Applicable  Inapplicable

No such cases in the reporting period.

### 3. Particulars about the use of raised funds

Applicable  Inapplicable

#### (1) Overview of the use of raised funds

Applicable  Inapplicable

Unit: RMB Ten Thousand

Total amount of raised funds	122,749.95
Total amount of raised funds input in the reporting period	2,066.71
Total amount of raised funds accumulatively input	106,222.80
Total amount of the raised funds with modified purposes during the reporting period	8,755.35
Total amount of the accumulative raised funds with modified purposes	8,755.35
Proportion of the total amount of the accumulative raised funds with modified purposes	7.13%
<b>Overview of the use of raised funds</b>	
To maximize the economic benefits to raise funds and reduce financial costs and increase the company's earnings, the company intends to raise funds 87,553,500 yuan permanent savings add liquidity, the company disclosed the specific circumstances detailed in the huge influx of information online on January 28, 2014 "About the savings to raise funds to add permanent liquidity of the company announcement."	

**(2) Projects promised to be invested with raised funds**

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand

Projects invested with raised capital as promised and investments with over-raised capital	Project changed or not (including partially changed)	Raised capital input as promised	Investment after adjustment (1)	Input in the reporting year	Accumulative input up to the period-end (2)	Investment progress up to the period-end (%) (3) = (2)/(1)	Date when the project reaches the expected usable condition	Profit generated in the reporting period	Reach the expected profit or not	Material change in the project feasibility or not
Projects invested with raised capital as promised										
Technological Transform on the Brewage of High-quality Base Wine	No	13,500	12,194.42	293.7	12,063.86	98.93%			Yes	No
Construction of Base Wine Blending & Filling Centre and Ancillary Facilities	No	68,600	64,060.83	1,642.38	59,045.90	92.17%			Yes	No
Construction of Marketing Network	No	27,500	20,739.35	130.63	18,087.98	87.22%			Yes	No
Brand Promotion	No	17,000	17,000	0	17,025.06	100.15%			Yes	No
Subtotal of promised	--	126,600	113,994.60	2,066.71	106,222.80	--	--	0	--	--

investment projects										
Investments of over-raised capital										
Subtotal of the investments of over-raised capital	--					--	--	0	--	--
Total	--	126,600	113,994.60	2,066.71	106,222.80	--	--	0	--	--
Reason for failing to reach scheduled progress or projected income (explain one project by one project)	Naught									
Explanation on significant changes in feasibility of projects	Naught									
Amount, usage and usage progress of over-raised capital	Inapplicable									
Change of the implementation location of any raised funds investment project	Inapplicable									
Adjustment of the implementation method of any raised funds investment project	Inapplicable									
Advanced input and exchange of any raised funds investment project	Applicable In accordance with the explanation of the Particulars on the Private Issuance of A-share of Anhui Gujing Distillery Co., Ltd. and the Listing Announcement, "Before the raised proceeds being in place, the Company can use the self-raised proceeds to input preliminarily in accordance with the actual progress of raised proceeds investment projects; after the raised proceeds being in place, the Company can use the raised proceeds to replace the self-raised proceeds preliminarily input". And the Proposal on Using the Raised Proceeds to Replace the Self-raised Proceeds Preliminarily Input to the Raised Proceeds Investment Projects was reviewed and approved at the 7 <sup>th</sup> Session of the 6 <sup>th</sup> Board of Directors, which agreed to use the raised proceeds to replace the self-raised proceeds of RMB 27,058,143.42 preliminarily input to the raised proceeds investment projects. The above funds replacement was completed on 6 Jan. 2012.									
Idle raised capital for temporarily supplementing working capital	Inapplicable									

Outstanding raised funds in project implementation and reasons	Applicable
	1. The Company strictly carried out the purchase system and the project bidding way, which better controlled the project construction and purchase cost and under the premise of guaranteeing the project quality with the principles of practicing strict economy, the Company further strengthened the project expenses control, supervisor and management in the process of the execution which reduced the total cost of the investment project of the raised funds. 2. The surplus reason of the marketing network construction project was due to the rather big changes of the liquor market environment and the third party logistics system gradually becoming more and more mature and at the same time, the Company would no more execute the center project of Hefei Logistics for reducing the fixed operating cost of the Company, which caused the capital surplus of the project.
Usage and whereabouts of unused raise capital	Deposited in the special account for raised proceeds.
Problems found in the usage and disclosure affairs of raised capital and other situations	Naught

### (3) Changes in projects invested with raised funds

Applicable  Inapplicable

No such cases in the reporting period.

### 4. Analysis to main subsidiaries and shareholding companies

Applicable  Inapplicable

Main subsidiaries and shareholding companies

Unit: RMB Yuan

Company name	Company variety	Industry	Main products/services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Bozhou Gujing Sales Co., Ltd	Subsidiary	Business trading	Wholesales of distilled spirit, construction materials, feeds and assistant materials	84,864,497.89	1,970,961,552.34	396,331,796.94	2,648,388,959.35	333,933,086.37	251,644,634.71



**5. Particulars about significant projects invested with non-raised funds**√ Applicable  Inapplicable

Unit: RMB Ten Thousand

Name of project	Total planned amount of investment	Amount of input during the reporting period	Accumulative amount actually input as of the period-end	Progress of project	Gains from project	Disclosure date (if any)	Disclosure index (if any)
Relocation and Technological Transform on the Brewage of Base Wine and the supporting facilities projects	80,000	2,790	80,000	100%		2012/03/29	
Total	80,000	2,790	80,000	--	--	--	--

**VI. Predict the operating results of Jan.-Sep. 2015**

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next reporting period according to prediction, as well as explanations on the reasons:

 Applicable  Inapplicable**VII. Explanation by the Board of Directors and the Supervisory Committee about the “non-standard audit report” issued by the CPAs firm for the reporting period** Applicable  Inapplicable**VIII. Explanation by the Board of Directors about the “non-standard audit report” for last year** Applicable  Inapplicable**IX. Implementation of profit allocation during the reporting period**

Formulation, execution or adjustment of the Company’s profit distribution policy, especially the cash dividend policy, during the reporting period:

√ Applicable  Inapplicable

Profit distribution plan carried out in the reporting period: As audited by Ruihua Certified Public Accountants, the net profits of RMB 577,062,374.98 achieved by the Company in 2014, plus the undistributed profits of 2013 of RMB 1,589,277,915.00, minus the dividend payout for 2013 of RMB 176,260,000, equaled the 2014 annual profits distributable to shareholders of RMB

1,990,080,289.98. According to the operation and capital situation of the Company, a pre-plan for the profit distribution and capitalization of capital reserves for 2014 was put forward as follows: The Company intended to distribute, based on the total shares of 503,600,000 as at the end of 2014, a cash dividend of RMB 2.00 (tax included) to all shareholders for every 10 shares they held, with the total dividends paid out totaling RMB 100,720,000.00. The retained profits of RMB 1,889,360,289.98 would carry over to the next year. In this profit distribution, the Company would not grant bonus shares or turn capital reserves into share capital.

The said dividend payout pre-plan was reviewed and approved at the Fifth Meeting of the Seventh Board of Directors on 27 April 2015 and later at the 2014 Annual General Meeting on 26 May 2015 (see the relevant announcements disclosed on Ta Kung Pao (HK), China Securities Journal, Shanghai Securities News and [www.cninfo.com.cn](http://www.cninfo.com.cn) dated 29 April 2015 and 27 May 2015).

For particulars about the implementation of this equity distribution, please pay timely attention to subsequent relevant announcements to be disclosed on Ta Kung Pao (HK), China Securities Journal, Shanghai Securities News and [www.cninfo.com.cn](http://www.cninfo.com.cn).

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and the resolution of the general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes
Minority shareholders have the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent.	Inapplicable

## **X. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period**

Applicable  Inapplicable

The Company planned not to distribute cash dividends or bonus shares or turn capital reserve into share capital for the reporting period.

## **XI. Particulars about researches, visits and interviews received in this reporting period**

Applicable  Inapplicable

No such in the reporting period.

## V. Significant Events

### I. Corporate governance

Since foundation, the Company constantly perfects corporate governance structure and standardize its management strictly in accordance with the Company Law, Securities Law, Standard for Governance of Listed Companies, Guide Opinion on Setting up Independent Directors Systems for Listed Companies as well as principles and requirements of other relevant laws, regulations and normative documents. In the reporting period, as per requirements of Basic Standard for Enterprise Internal Control and Shenzhen Stock Exchange Guideline on Internal Control of Listed Companies, the Company developed internal control activity, perfected internal control system step by step, promoted normative operation and healthy development. The Board of Directors, the Supervisory Committee and the management of the Company make decisions, perform rights and assume obligation strictly according to the standard operation rules and inner control system so as to make sure the standard operation of the Company in the frame of rules and systems.

In the reporting period, according to requirements of China Securities Regulatory Commission and Rules for Listing of Shares in Shenzhen Stock Exchange and with the “open, fair and just” principle, the Company seriously and timely performed information disclosure obligation and guaranteed that the information disclosed is true, accurate and complete, free from fictitious presentation, misleading statements or important omissions, so that all the shareholders will equally acquaint themselves with all the notices of the Company.

During the reporting period, the actual situation of the corporate governance had no difference with the Company Law and the requirements of the relevant regulations of the CSRC.

### II. Litigations

Significant litigations and arbitrations

Applicable  Inapplicable

No such cases in the reporting period.

Other litigations

Applicable  Inapplicable

### III. Media query

Applicable  Inapplicable

The Company was not involved in any media query in the reporting period.

### IV. Bankruptcy or Reorganization Events

Applicable  Inapplicable

There Company was not involved in any bankruptcy or reorganization events in the reporting period.

## **V. Transaction in Assets**

### **1. Purchase of assets**

Applicable  Inapplicable

There is no purchase of assets in the Company during the reporting period

### **2. Sale of assets**

Applicable  Inapplicable

There is no sale of assets in the Company during the reporting period.

### **3. Business combination**

Applicable  Inapplicable

There is no business combination in the Company during the reporting period.

## **VI. Implementation and Influence of Equity Incentive Plan of the Company**

Applicable  Inapplicable

There is no equity incentive plan and its implementation in the Company during the reporting period.

## **VII. Significant related-party transactions**

### **1. Related-party transactions concerning routine operation**

Applicable  Inapplicable

There is no related-party transaction concerning routine operating in the Company during the reporting period.

### **2. Related-party transactions arising from asset acquisition or sale**

Applicable  Inapplicable

The Company was not involved in any related-party transactions arising from asset acquisition or sale during the reporting period.

### **3. Related-party transitions with joint investments**

Applicable  Inapplicable

The Company was not involved in any related-party transaction with joint investments during the reporting period.

### **4. Credits and liabilities with related parties**

Applicable  Inapplicable

No such cases in the reporting period.

## **5. Other significant related-party transactions**

Applicable  Inapplicable

No such cases in the reporting period.

## **VIII. Particulars about the non-operating occupation of funds by the controlling shareholder and other related parties of the Company**

Applicable  Inapplicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the reporting period.

## **IX. Particulars about significant contracts and their fulfillment**

### **1. Particulars about trusteeship, contract and lease**

#### **(1) Trusteeship**

Applicable  Inapplicable

There was no any trusteeship of the Company in the reporting period.

#### **(2) Contract**

Applicable  Inapplicable

There was no any contract of the Company in the reporting period.

#### **(3) Lease**

Applicable  Inapplicable

There was no any lease of the Company in the reporting period.

### **2. Guarantees provided by the company**

Applicable  Inapplicable

There was no any guarantee provided by the Company in the reporting period.

### **3. Other significant contracts**

Applicable  Inapplicable

There was no other significant contract of the Company in the reporting period.

### **4. Other significant transactions**

Applicable  Inapplicable

There was no other significant transaction of the Company in the reporting period.

**X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period**

Applicable  Inapplicable

No such situation of the Company during the reporting period.

**XI. Particulars about engagement and disengagement of CPAs firm**

Whether the semi-annual financial report had been audited?

Yes  No

This semi-annual report is un-audited.

**XII. Punishment and Rectification**

Applicable  Inapplicable

There was no any punishment and rectification of the Company in the reporting period.

**XIII. Reveal of the delisting risks of illegal or violation**

Applicable  Inapplicable

There was no any delisting risk of illegal or violation of the Company in the reporting period.

**XIV. Explanation about other significant matters**

Applicable  Inapplicable

No such cases in the reporting period.

## Section VI. Changes in Share Capital and Particulars about Shareholders

### I. Changes in share capital

Unit: Share

	Before this change		Increase/decrease (+, -)					After the change	
	Amount	Proportion (%)	Issuance of new shares	Bonus share	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion (%)
I. Shares subject to trading moratorium	900	0.00%						900	0.00%
1. Other domestic shares	900	0.00%						900	0.00%
Shares held by domestic individuals	900	0.00%						900	0.00%
II. Shares not subject to trading moratorium	503,599,100	100.00%						503,599,100	100.00%
1. Ordinary shares denominated in RMB	383,599,100	76.17%						383,599,100	76.17%
2. Domestically listed foreign shares	120,000,000	23.83%						120,000,000	23.83%
III. Total of shares	503,600,000	100.00%						503,600,000	100.00%

Reasons for changes in share

 Applicable  Inapplicable

Approval of share changes

 Applicable  Inapplicable

Transfers in share changes

 Applicable  Inapplicable

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net assets per share belonging to shareholder with ordinary share

 Applicable  Inapplicable

Other contents that the Company thinks necessary or is asked by securities regulators to be disclosed

 Applicable  Inapplicable

Explanation of the changes in the sum of the shares and the structure of the shareholders and the structure of the assets as well as the liabilities of the Company

 Applicable  Inapplicable

## II. Number of shareholders and shareholding

Unit: Share

Total number of common shareholders at the end of the reporting period	27,386			Total number of preferred shareholders that had restored the voting right at the end of the reporting period (if any) (note 8)	0			
Shareholding of common shareholders holding more than 5% shares or the top 10 of common shareholders								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Number of shares
ANHUI GUJING GROUP COMPANY LIMITED	State-owned corporation	53.80%	270,954,022			270,954,022	Pledged	114,000,000
UBS (LUXEMBOURG) S.A.	Foreign corporation	2.29%	11,529,874			11,529,874		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign corporation	2.01%	10,118,498			10,118,498		
NORGES BANK	Foreign corporation	1.68%	8,445,193			8,445,193		
KGI ASIA LIMITED	Foreign corporation	1.56%	7,879,404			7,879,404		
GAOLING FUND,L.P.	Foreign corporation	0.98%	4,943,544			4,943,544		
GOLDEN CHINA MASTER FUND	Foreign corporation	0.75%	3,786,434			3,786,434		
CMS (HK) CO., LTD.	State-owned corporation	0.74%	3,742,042			3,742,042		
AGRICULTURE BANK OF CHINA — FULLGOAL ZHONGZHENG STATE-OWNED ENTERPRISE INDEX GRADING SECURITIES INVESTMENT FUND	Other	0.74%	3,723,030			3,723,030		
GUOTAI JUNAN SECURITIES(HONGKONG)	Foreign corporation	0.73%	3,666,775			3,666,775		



LIMITED								
Explanation on associated relationship or persons acting in concert among the above-mentioned shareholders:	Among the shareholders above, no affiliated relationship exists between the Company's controlling shareholder—Anhui Gujing GROUP Company Limited—and other shareholders, nor they are parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.							
Particulars about shares held by top 10 common shareholders not subject to trading moratorium								
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share		Number				
		Type of share						
ANHUI GUJING GROUP COMPANY LIMITED	270,954,022	RMB ordinary share		270,954,022				
UBS(LUXEMBOURG) S.A.	11,529,874	Domestically listed foreign share		11,529,874				
GREENWOODS CHINA ALPHA MASTER FUND	10,118,498	Domestically listed foreign share		10,118,498				
NORGES BANK	8,445,193	Domestically listed foreign share		8,445,193				
KGI ASIA LIMITED	7,879,404	Domestically listed foreign share		7,879,404				
GAOLING FUND,L.P.	4,943,544	Domestically listed foreign share		4,943,544				
GOLDEN CHINA MASTER FUND	3,786,434	Domestically listed foreign share		3,786,434				
CMS (HK) Co., Ltd.	3,742,042	Domestically listed foreign share		3,742,042				
Agriculture Bank of China — Fullgoal Zhongzheng State-owned Enterprise Index Grading Securities Investment Fund	3,723,030	RMB ordinary share		3,723,030				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,666,775	Domestically listed foreign share		3,666,775				

		share	
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Among the shareholders above, no affiliated relationship exists between the Company's controlling shareholder—Anhui Gujing GROUP Company Limited—and other shareholders, nor they are parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	The company's largest shareholder Gujing Group since November 2014 launched a "refinancing securities lending" business, currently the business ceased early April 2015, ended June 30, 2015 there are 45 million shares are being lent not yet in.		

Did any top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company carry out an agreed buy-back in the reporting period?

Yes  No

The top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company had not carried out any agreed buy-back in the reporting period.

### III. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

Applicable  Inapplicable

There was no any change of the controlling shareholder of the Company in the reporting period.

Change of the actual controller in the reporting period

Applicable  Inapplicable

There was no any change of the actual controller of the Company in the reporting period.

### IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

Applicable  Inapplicable

Within the scope known to the Company, there was no any shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons.

## **Section VII. Situation of the Preferred Shares**

Applicable  Inapplicable

There was no any preferred share of the Company during the reporting period.

## **Section VIII. Directors, Supervisors, Senior Management Staffs**

### **I. Changes in shareholding of directors, supervisors and senior management staffs**

Applicable  Inapplicable

There was no change in shareholding of directors, supervisors and senior management staffs, for the specific information please refer to the 2014 Annual Report.

### **II. Changes in directors, supervisors and senior management staffs**

Applicable  Inapplicable

There was no change in directors, supervisors and senior management staffs, for the specific information please refer to the 2014 Annual Report.

## IX. Financial Report

### I. Audit report

Has this semi-annual report been audited?

Yes  No

The semi-annual financial report has not been audited.

### II. Financial statements

Currency unit for the statements in the notes to these financial statements: RMB Yuan

#### 1. Consolidated balance sheet

Prepared by Anhui Gujing Distillery Company Limited

30 Jun. 2015

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	934,228,752.91	718,460,442.79
Settlement reserves		
Intra-Company lendings		
Financial assets measured by fair value with the changes be included in the current gains and losses	414,875.36	303,919.60
Derivative financial assets		
Notes receivable	773,020,909.81	505,893,430.66
Accounts receivable	5,771,113.56	4,337,953.26
Accounts paid in advance	59,137,284.25	35,711,617.98
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	2,369,097.21	4,274,666.66
Dividend receivable		
Other accounts receivable	10,369,201.23	7,967,903.24
Financial assets purchased under		

agreements to resell		
Inventories	1,247,855,385.96	1,227,182,774.09
Assets divided available for sale		
Non-current assets due within 1 year		
Other current assets	1,450,000,000.00	1,501,552,476.11
Total current assets	4,483,166,620.29	4,005,685,184.39
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	257,362,590.00	88,332,932.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment		
Investing property	30,576,242.31	32,074,356.24
Fixed assets	1,723,053,180.88	1,724,134,467.11
Construction in progress	39,159,122.86	61,637,510.96
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	301,910,104.52	306,488,782.60
R&D expense		
Goodwill		
Long-term deferred expenses	136,084,493.51	131,921,179.23
Deferred income tax assets	62,861,129.41	63,243,753.50
Other non-current assets		
Total of non-current assets	2,551,006,863.49	2,407,832,981.64
Total assets	7,034,173,483.78	6,413,518,166.03
Current liabilities:		
Short-term borrowings		
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-Company borrowings		
Financial liabilities measured by fair		

value with the changes be included in the current gains and losses		
Derivative financial liabilities		
Notes payable	294,084,023.18	258,452,214.00
Accounts payable	395,371,547.72	404,634,196.58
Accounts received in advance	590,946,715.63	377,503,471.86
Financial assets sold for repurchase		
Handling charges and commissions payable		
Employee's compensation payable	186,861,937.45	220,198,521.28
Tax payable	314,485,972.33	468,679,523.63
Interest payable		
Dividend payable	100,720,000.00	
Other accounts payable	572,362,971.96	456,572,505.42
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities divided available for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	2,454,833,168.27	2,186,040,432.77
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	39,042,134.11	40,839,961.86

Deferred income tax liabilities	24,040,581.94	5,586,793.44
Other non-current liabilities		
Total non-current liabilities	63,082,716.05	46,426,755.30
Total liabilities	2,517,915,884.32	2,232,467,188.07
Owners' equity		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Of which: preferred shares		
Perpetual capital securities		
Capital reserves	1,294,938,493.19	1,294,938,493.19
Less: Treasury stock		
Other comprehensive income	72,091,421.40	16,669,604.07
Specific reserves		
Surplus reserves	256,902,260.27	256,902,260.27
Provisions for general risks		
Retained profits	2,388,725,424.60	2,108,940,620.43
Total equity attributable to owners of the Company	4,516,257,599.46	4,181,050,977.96
Minority interests		
Total owners' equity	4,516,257,599.46	4,181,050,977.96
Total liabilities and owners' equity	7,034,173,483.78	6,413,518,166.03

Legal representative: Liang Jinhui

Person-in-charge of the accounting work: Ye Changqing

Chief of the accounting division: Zhu Jiafeng

## 2. Balance sheet of the Company

Unit: RMB Yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	839,382,496.44	593,001,536.78
Financial assets measured by fair value with the changes be included in the current gains and losses	414,875.36	278,509.60
Derivative financial assets		
Notes receivable	429,319,763.55	286,449,264.42



Accounts receivable	1,286,945.79	1,608,829.64
Accounts paid in advance	15,439,366.18	5,506,676.65
Interest receivable	2,369,097.21	4,274,666.66
Dividend receivable		
Other accounts receivable	121,966,237.41	124,826,309.55
Inventories	1,222,956,081.65	1,197,978,799.15
Assets divided available for sale		
Non-current assets due within 1 year		
Other current assets	1,450,000,000.00	1,497,612,148.31
Total current assets	4,083,134,863.59	3,711,536,740.76
Non-current assets:		
Available-for-sale financial assets	257,362,590.00	88,332,932.00
Held-to-maturity investments		
Long-term accounts receivable	4,931,559.16	4,793,366.46
Long-term equity investment	338,089,408.32	338,089,408.32
Investing property	28,723,841.91	30,151,635.36
Fixed assets	1,533,783,287.82	1,525,364,298.59
Construction in progress	32,638,002.48	61,531,773.90
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	189,373,190.84	192,318,384.28
R&D expense		
Goodwill		
Long-term deferred expenses	136,084,493.51	131,864,366.43
Deferred income tax assets	35,322,336.06	35,421,614.18
Other non-current assets		
Total of non-current assets	2,556,308,710.10	2,407,867,779.52
Total assets	6,639,443,573.69	6,119,404,520.28
Current liabilities:		
Short-term borrowings		
Financial liabilities measured by fair value with the changes be included in the current gains and losses		

Derivative financial liabilities		
Notes payable	40,660,023.18	93,602,214.00
Accounts payable	291,957,561.50	402,837,653.24
Accounts received in advance	1,553,126,425.93	1,064,055,921.66
Employee's compensation payable	75,082,480.52	79,329,070.21
Tax payable	163,389,525.54	168,778,299.92
Interest payable		
Dividend payable	100,720,000.00	
Other accounts payable	283,879,458.04	255,065,310.80
Liabilities divided available for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	2,508,815,474.71	2,063,668,469.83
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	39,127,604.22	40,839,961.86
Deferred income tax liabilities	24,031,995.12	5,584,087.19
Other non-current liabilities		
Total non-current liabilities	63,159,599.34	46,424,049.05
Total liabilities	2,571,975,074.05	2,110,092,518.88
Owners' equity:		
Share capital	503,600,000.00	503,600,000.00
Other equity instruments		
Of which: preferred shares		
Perpetual capital securities		
Capital reserves	1,247,162,107.35	1,247,162,107.35

Less: Treasury stock		
Other comprehensive income	72,091,421.40	16,669,604.07
Specific reserves		
Surplus reserves	251,800,000.00	251,800,000.00
Retained profits	1,992,814,970.89	1,990,080,289.98
Total owners' equity	4,067,468,499.64	4,009,312,001.40
Total liabilities and owners' equity	6,639,443,573.69	6,119,404,520.28

### 3. Consolidated income statement

Unit: RMB Yuan

Item	Jan.-Jun. 2015	Jan.-Jun 2014
I. Total operating revenues	2,713,042,828.92	2,390,158,949.76
Including: Sales income	2,713,042,828.92	2,390,158,949.76
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating cost	2,247,031,817.63	1,971,374,239.07
Including: Cost of sales	827,578,527.59	734,083,360.31
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	392,182,734.37	324,862,025.08
Selling and distribution expenses	794,226,823.89	706,159,566.91
Administrative expenses	237,926,770.64	239,125,781.91
Financial expenses	-8,593,975.74	-32,364,892.13
Asset impairment loss	3,710,936.88	-491,603.01
Add: Gain/(loss) from change in fair value ("-" means loss)	40,432.58	7,270.00

Gain/(loss) from investment (“-” means loss)	38,298,172.94	54,652,112.80
Including: share of profits in associates and joint ventures		
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	504,349,616.81	473,444,093.49
Add: non-operating income	9,984,586.51	12,858,123.06
Of which: gains from non-current asset disposal	82,953.29	286,406.47
Less: non-operating expense	1,279,224.88	1,554,085.61
Of which: losses from non-current asset disposal	644,420.16	1,389,957.09
IV. Total profit (“-” means loss)	513,054,978.44	484,748,130.94
Less: Income tax expense	132,550,174.27	126,941,933.36
V. Net profit (“-” means loss)	380,504,804.17	357,806,197.58
Attributable to owners of the Company	380,504,804.17	357,806,197.58
Minority shareholders’ income		
VI. After-tax net amount of other comprehensive incomes	55,421,817.33	2,983,285.62
After-tax net amount of other comprehensive incomes attributable to owners of the Company	55,421,817.33	2,983,285.62
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	55,421,817.33	2,983,285.62
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses		

under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	55,421,817.33	2,983,285.62
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII. Total comprehensive incomes	435,926,621.50	360,789,483.20
Attributable to owners of the Company	435,926,621.50	360,789,483.20
Attributable to minority shareholders		
VIII. Earnings per share		
(I) Basic earnings per share	0.760	0.71
(II) Diluted earnings per share	0.760	0.71

#### 4. Income statement of the Company

Unit: RMB Yuan

Item	Jan.-Jun. 2015	Jan.-Jun 2014
I. Total sales	1,526,161,277.67	1,320,382,051.92
Less: cost of sales	849,408,915.00	749,212,509.40
Business taxes and surcharges	370,306,018.23	307,286,754.62
Distribution expenses	49,930,659.26	50,515,240.37
Administrative expenses	162,304,060.52	159,555,096.01
Financial costs	-8,083,219.69	-27,114,146.94
Impairment loss	2,948,211.17	-423,137.26
Add: gain/(loss) from change in fair value (“-” means loss)	40,432.58	3,635.00

Gain/(loss) from investment (“-” means loss)	37,697,274.33	54,206,211.10
Of which: income from investment on associates and joint ventures		
II. Business profit (“-” means loss)	137,084,340.09	135,559,581.82
Add: non-business income	7,222,891.82	7,100,407.46
Of which: gains from non-current asset disposal		
Less: non-business expense	74,531.37	616,845.02
Of which: losses from non-current asset disposal	70,087.08	945,068.04
III. Total profit (“-” means loss)	144,232,700.54	142,043,144.26
Less: income tax expense	40,778,019.63	40,273,822.54
IV. Net profit (“-” means loss)	103,454,680.91	101,769,321.72
V. After-tax net amount of other comprehensive incomes	55,421,817.33	2,983,285.62
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	55,421,817.33	2,983,285.62
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets	55,421,817.33	2,983,285.62
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale		

financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	158,876,498.24	104,752,607.34
VII. Earnings per share		
(I) Basic earnings per share	0.210	0.20
(II) Diluted earnings per share	0.210	0.20

## 5. Consolidated cash flow statement

Unit: RMB Yuan

Item	Jan.-Jun. 2015	Jan.-Jun 2014
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,825,242,242.74	2,427,634,003.82
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of dispose of the financial assets measured by fair value with the changes be included in the current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-Company borrowings		

Net increase of funds in repurchase business		
Tax refunds received		590,000.00
Other cash received relating to operating activities	175,019,524.21	213,011,013.81
Subtotal of cash inflows from operating activities	3,000,261,766.95	2,641,235,017.63
Cash paid for goods and services	709,413,298.38	730,037,605.84
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	517,459,277.00	527,351,397.79
Various taxes paid	1,048,663,427.74	1,014,623,162.62
Other cash payment relating to operating activities	388,508,106.00	445,435,903.82
Subtotal of cash outflows from operating activities	2,664,044,109.12	2,717,448,070.07
Net cash flows from operating activities	336,217,657.83	-76,213,052.44
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	1,359,031,928.76	980,093,922.21
Cash received from return on investments	38,298,172.94	54,652,112.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	107,750.00	286,406.47
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	500,000.00	1,100,000.00
Subtotal of cash inflows from investing	1,397,937,851.70	1,036,132,441.48



activities		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	109,798,840.51	220,818,632.14
Cash paid for investment	1,402,588,358.90	1,020,029,260.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	1,512,387,199.41	1,240,847,892.14
Net cash flows from investing activities	-114,449,347.71	-204,715,450.66
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities		
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit		
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of foreign exchange rate		

changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	221,768,310.12	-280,928,503.10
Add: Opening balance of cash and cash equivalents	682,360,442.79	1,306,930,710.96
VI. Closing balance of cash and cash equivalents	904,128,752.91	1,026,002,207.86

## 6. Cash flow statement of the Company

Unit: RMB Yuan

Item	Jan.-Jun. 2015	Jan.-Jun 2014
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	1,700,083,632.03	1,327,478,616.09
Tax refunds received		
Other cash received relating to operating activities	88,556,807.56	127,214,689.74
Subtotal of cash inflows from operating activities	1,788,640,439.59	1,454,693,305.83
Cash paid for goods and services	551,870,710.00	525,512,650.29
Cash paid to and for employees	240,816,560.34	252,876,294.81
Various taxes paid	558,464,417.24	503,939,848.51
Other cash payment relating to operating activities	66,678,887.51	75,252,706.56
Subtotal of cash outflows from operating activities	1,417,830,575.09	1,357,581,500.17
Net cash flows from operating activities	370,809,864.50	97,111,805.66
II. Cash flows from investing activities:		
Cash received from retraction of investments	1,312,651,013.05	980,093,922.21
Cash received from return on investments	37,697,274.33	54,206,211.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		145,352.00
Net cash received from disposal of subsidiaries or other business units		

Other cash received relating to investing activities	500,000.00	1,100,000.00
Subtotal of cash inflows from investing activities	1,350,848,287.38	1,035,545,485.31
Cash paid to acquire fixed assets, intangible assets and other long-term assets	106,844,334.84	218,463,253.40
Cash paid for investment	1,360,032,857.38	1,020,020,730.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	1,466,877,192.22	1,238,483,983.40
Net cash flows from investing activities	-116,028,904.84	-202,938,498.09
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings		
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities		
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit		
Other cash payments relating to financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	254,780,959.66	-105,826,692.43

Add: Opening balance of cash and cash equivalents	584,601,536.78	1,040,360,357.51
VI. Closing balance of cash and cash equivalents	839,382,496.44	934,533,665.08

## 7. Consolidated Statement of Changes in Owners' Equity

Jan.-Jun. 2015

Unit: RMB Yuan

Item	Jan.-Jun. 2015												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
		Preferred shares	Perpetual capital securities	Other									
I. Balance at the end of the previous year	503,600,000.				1,294,938,493.19		16,669,604.07		256,902,260.27		2,108,940,620.43		4,181,050,977.96
Add: change of accounting policy													
Correction of errors in previous periods													
Business combination under the same control													
Other													
II. Balance at the period-begin	503,600,000.				1,294,938,493.19		16,669,604.07		256,902,260.27		2,108,940,620.43		4,181,050,977.96
III. Increase/decrease in the period ("-" means decrease)							55,421,817.33				279,784,804.17		335,206,621.50
(I) Total amount of the							55,421,817.33				380,504,804.17		435,926,621.50

comprehensive income													
(II) Capital paid in and reduced by owners													
1. Common shares invested by the shareholders													
2. Capital invested by the owners of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution										-100,720,000.00		-100,720,000.00	
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)										-100,720,000.00		-100,720,000.00	
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share													

capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV. Closing balance	503,600,000.00				1,294,938,493.19		72,091,421.40		256,902,260.27		2,388,725,424.60		4,516,257,599.46

Jan.-Jun. 2014

Unit: RMB Yuan

Item	Jan.-Jun. 2014												Minority interests	Total owners' equity
	Equity attributable to owners of the Company													
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profit			
	Preferred shares	Perpetual capital securities	Other											
I. Balance at the end of the previous year	503,600,000.00				1,294,938,493.19		-843,229.50		256,902,260.27		1,688,158,733.09		3,742,756,257.05	
Add: change of accounting policy														
Correction of errors in previous periods														
Business combination under the same control														

Other													
II. Balance at the period-begin	503,600,000.				1,294,938,493.19		-843,229.50		256,902,260.27		1,688,158,733.09		3,742,756,257.05
III. Increase/decrease in the period (“-” means decrease)							17,512,833.57				420,781,887.34		438,294,720.91
(I) Total amount of the comprehensive income							17,512,833.57				597,041,887.34		614,554,720.91
(II) Capital paid in and reduced by owners													
1. Common shares invested by the shareholders													
2. Capital invested by the owners of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution											-176,260,000.00		-176,260,000.00
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-176,260,000.00		-176,260,000.00
4. Other													

(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV. Closing balance	503,600,000.00				1,294,938,493.19		16,669,604.07		256,902,260.27		2,108,940,620.43		4,181,050,977.96

## 8. Statement of changes in owners' equity of the Company

Jan.-Jun. 2015

Unit: RMB Yuan

Item	Jan.-Jun. 2015										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual capital securities	Other							
I. Balance at the end of the previous	503,600,000.00				1,247,162,107.35		16,669,604.07		251,800,000.00	1,990,080,289.	4,009,312,001.40



year										98	
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the period-begin	503,600,000.00				1,247,162,107.35		16,669,604.07		251,800,000.00	1,990,080,289.98	4,009,312,001.40
III. Increase/decrease in the period (“-” means decrease)							55,421,817.33			2,734,680.91	58,156,498.24
(I) Total amount of the comprehensive income							55,421,817.33			103,454,680.91	158,876,498.24
(II) Capital paid in and reduced by owners											
1. Common shares invested by the shareholders											
2. Capital invested by the owners of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution										-100,720,000.00	-100,720,000.00
1. Appropriations to surplus reserves											
2. Appropriations										-100,720,000.00	-100,720,000.00

to general risk provisions										0,000.00	000.00
3. Appropriations to owners (or shareholders)											
4. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other	503,600,000.00				1,247,162,107.35		72,091,421.40		251,800,000.00	1,992,814,970.89	4,067,468,499.64

Jan.-Jun. 2014

Unit: RMB Yuan

Item	Jan.-Jun. 2014										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual capital securities	Other							

I. Balance at the end of the previous year	503,600,000.00				1,247,162,107.35		-843,229.50		251,800,000.00	1,589,277,915.00	3,590,996,792.85
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the period-begin	503,600,000.00				1,247,162,107.35		-843,229.50		251,800,000.00	1,589,277,915.00	3,590,996,792.85
III. Increase/decrease in the period (“-” means decrease)							17,512,833.57			400,802,374.98	418,315,208.55
(I) Total amount of the comprehensive income							17,512,833.57			577,062,374.98	594,575,208.55
(II) Capital paid in and reduced by owners											
1. Common shares invested by the shareholders											
2. Capital invested by the owners of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution										-176,260,000.00	-176,260,000.00
1. Appropriations											

to surplus reserves											
2. Appropriations to general risk provisions										-176,260,000.00	-176,260,000.00
3. Appropriations to owners (or shareholders)											
4. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other	503,600,000.00				1,247,162,107.35		16,669,604.07		251,800,000.00	1,990,080,289.98	4,009,312,001.40

### III. Company history

Authorized by document WGZGZ (1996) No.053 of Anhui Administrative Bureau of State-owned Property, Anhui Gujing Distillery Company Limited (“the Company”) was established as a limited liability company with net assets of RMB 377,167,700 and state-owned shares of 155,000,000 shares and considered Anhui Gujing Company as the only promoter. The registration place was Haozhou Anhui China. The Company was established on 5 March 1996 by document of WZM

(1996) No.42 of Anhui People's Government. The Company set up plenary session on 28 May 1996 and registered in Anhui on 30 May 1996 with business license of 14897271-1.

The Company has been issued 60,000,000 domestic listed foreign shares ("B" shares) in June 1996 and 20,000,000 ordinary shares ("A shares) on September 1996, ordinary shares are listed in national and par value is RMB 1.00 per share. Those A share and B share are listed in Shenzhen Stock exchange.

Headquarter of the Company is located in Gujing Haozhou Anhui. The Company and its subsidiaries (the Company) specialize in producing and selling white spirit.

Registered capitals of the Company were RMB 235,000,000 with stocks of 235,000,000, of which 155,000,000 shares were issued in China, B shares of 60,000,000 shares and A shares of 20,000,000 shares. The book value of the stocks of the Company was of RMB 1 Yuan per share.

On May 29, 2006, a shareholder meeting was held to discuss and approval a program of equity division of A share, the program was implement in June 2006. After implementation, all shares are outstanding share, which include 147,000,000 shares with restrict condition on disposal, represent 62.55% of total equity, and 88,000,000 shares without restrict condition on disposal, represent 37.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on June 27, 2007, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on June 29, 2007. Up to that day, outstanding shares with restrict condition on disposal are 135,250,000, representing 57.55% of total equity, the share without restrict condition are 99,750,000, representing 42.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on July 17, 2008, 11,750,000 outstanding shares with restrict condition on disposal are listed in stock market on July 18, 2008. Up to that day, outstanding shares with restrict condition on disposal are 123,500,000, representing 52.55% of total equity, the share without restrict condition are 111,500,000, representing 47.45% of total equity.

The Company issued <Announcement of release restriction shares by Anhui Gujing Distillery Company Limited> on July 24, 2009, 123,500,000 outstanding shares with restrict condition on disposal are listed in stock market on 29 July, 2009. Up to that day, the Company's all shares are all tradable.

As approved by the CSRC Document Zheng-Jian-Xu-Ke [2011] No. 943, the Company privately offered 16,800,000 ordinary shares (A-shares) to special investors on 15 Jul. 2011, with a par value of RMB 1 and the price of RMB 75.00 per share, raising RMB 1,260,000,000.00 in total, the net amount of raised funds stood at RMB 1,227,499,450.27 after deducting RMB 32,500,549.73 of various issuance expenses. Certified Public Accountants verified the raised capital upon its arrival and issued the Capital Verification Report Reanda-Yan-Zi [2011] No. 1065.

In accordance with the resolutions made at the 2011 Annual Shareholders' General Meeting, basing on the total share capital of 251,800,000 shares, the Company decided to transfer the capital reserves to share capital by 10 shares upon each 10 shares to the A-share holders registered in the Company on 27 Apr. 2012 and the B-share holders registered in the Company on 4 May 2012, thus the total share capital increased to RMB 503,600,000 after the capitalization. Reanda Certified Public Accountants verified the raised capital (Capital Verification Report Reanda-Yan-Zi [2012] No. 1022). Up to 4 May 2012, the Company has transferred RMB 251,800,000 of capital reserves to share capital.

Pursuant to the decision of annual shareholders meeting in 2012, the Company that considered 251,800,000 shares as base number on 31 December 2013 transferred capital reserve into share capital at a rate of "10 shares for per 10 shares" accounting for 251,800,000 shares and implemented in the year of 2012. Upon the transference, the registered capitals increased to RMB 503,600,000.

By 30 Jun. 2015, the Company issued 503,600,000 shares.

The approved business of the Company including procurement of grain (operating with business license), manufacture of distilled spirits, wine distilling facilities, packaging material, bottles, alcohol, grease (limited to byproducts from wine manufacture), and research and development of high-tech, biotechnology development, agricultural and sideline products deep processing, as well as sale of self-manufacturing products.

The Company and the final parent company is Anhui Gujing Company Co., Ltd in China.

Financial statement of the Company will be released on 20 Aug. 2015 by the board of directors. According to the articles of the Company, the financial statement will be submitted to the Annual General Meeting for review.

#### **IV. Basis for the preparation of financial statements**

##### **1. Basis for the preparation**

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Company prepared financial statements in accordance with the ASBE-Basic Standard (No. 33 issued decreed by Ministry of Finance and No. 76 revised decreed by Ministry of Finance), the 41 specific standards of Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC on 15 Feb 2006 and revised thereafter, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In line with relevant rules of ASBE, financial accounting of the Company is based on accrual

system. Except financial instruments and instrument real estate, the financial statement is calculated on the basis of history costs. Available-for-sale non-current assets are calculated by the lower one of fair value deducting estimated costs and original costs meeting the standard of available-for-sale. If assets confront impairment, it shall be withdrawn provision for impairment in line with relevant stipulations.

## **V. Declaration of Compliance with the Enterprise Accounting Standards**

The financial statements of the Company have been prepared in accordance with the Enterprise Accounting Standards to present truly and completely the financial position of the Company on 30 June 2015, operating results, cash flow from January to June in 2015 and other relevant information. The financial statement of the Company met the relevant disclosure requirements of financial statement and notes of “Compiling stipulations of public information disclosure No.15---general rules of financial statement” (revised in 2014).

## **VI. Main accounting policies and accounting estimates**

### **1. Accounting year**

Accounting year is divided to annual term and medium term. Accounting medium refers to reporting period shorter than a complete accounting period. The Company employs a period of calendar days from 1 Jan. to 31 Dec. each year as accounting year.

### **2. Operating cycle**

Normal operating cycle refers to the period from the Company purchases the assets for processing to realize the cash or cash equivalents. The Company regards 12 months as an operating cycle and regards which as the partition criterion of the mobility of the assets and liabilities.

### **3. Bookkeeping base currency**

Renminbi is the dominant currency used in the economic circumstances where the Company and its domestic subsidiaries are involved. Therefore, the Company and its domestic subsidiaries use Renminbi as their bookkeeping base currency. And the Company adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the reporting period.

### **4. Accounting treatment methods for business combinations under the same control and those not under the same control**

The term “business combinations” refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

#### **(1) Accounting treatment of the business combination that is under the same control**

A business combination involving enterprises under common control is a business combination in

which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Other direct expenses occur when the Company conducting business combinations is recognized in current profit and loss. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Those assets and liabilities obtained by the Company during the business combination should be recognized in the carrying value of the equity of the merged party on the merger date. The difference between the carrying amount of the net assets obtained and carrying amount of the merger consideration (or total par value of issued shares) paid shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Direct costs of a business combination shall be reckoned into current gains and losses.

## (2) Accounting treatment of the business combination that is not under the same control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. In business combination not under the same control, acquirer refers to party obtaining control of other combining corporations in the date of acquisition and acquiree refers to corporation participating in combination. Date of acquire refers to the date the acquirer actually obtaining control of the acquiree.

As for combination not under the same control, costs of combination includes assets that acquirers occur in the date of combination in order to obtain control of acquirees, loans, fair value of issued equity securities, intermediary costs such as audit, legal services and evaluation consultation, and other administrative fees occurred in the reporting period. As for trading costs that acquirers as combination consideration issue equity securities or debt securities, it shall be reckoned into initial accounts of equity securities or debt securities. As for business combination realized by several exchanges and trades, in the combined financial statement of the Company, the Company shall recalculate the stock right obtained by acquirees before the date of acquisition in line with fair value of the stock right in the date of acquisition. When the Company acts as the combination party, the cost of a business combination paid by the acquirer is the aggregate of the fair value at the



acquisition date of assets given (including share equity of the acquiree held before the combination date), liabilities incurred or assumed, and equity securities issued by the acquirer. Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognized as goodwill, while any excess of the acquirer's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognized in profit or loss. The cost of equity securities or liability securities as on combination consideration offering is recognized in initial recording capital on equity securities or liability securities. Other direct expenses occur when the Company conducting business combinations is recognized in current profit and loss. The difference between the fair value and the carrying amount of the assets given is recognized in profit or loss. The Company, at the acquisition date, recognized the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

As for deductible temporary difference of acquirers obtained by acquirers which can't be confirmed due to failure of meeting the confirmation requirements of deferred income tax assets, if there is newly information proving the existence of relevant situation in the date of acquisition in a year after the acquisition date and financial benefits of deductible temporary difference of acquirers in the date of acquisition are estimated to be realized, deferred income tax assets shall be confirmed. At the same time, goodwill shall be decreased. If goodwill is insufficient, the difference shall be reckoned into current gains and losses; except the above circumstance, reliable deferred income tax assets relevant to the Company shall be reckoned into current gains and losses.

For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) on the "package deal" criterion (see Note IV. 5 (2)), to judge the multiple exchange transactions whether they are the "package deal". If it belong to the "package deal" in reference to the preceding paragraphs of this section and the Notes described in IV. 13 "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment:

In the individual financial statements, the sum of the book value and new investment cost of the Company holds in the acquiree before the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan

measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains).

In the Company's consolidated financial statements, as for the equity interests that the Company holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains on the acquiring date).

## **5. Methods for preparing consolidated financial statements**

### **(1) Principle for determining the consolidation scope**

The consolidation scope for financial statements is determined on the basis of control. The term "control" is the power of the Company upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Company.

### **(2) Methods for preparing the consolidated financial statements**

The Company begins to include subsidiaries into consolidation scope from the date obtaining net assets of subsidiaries and actual control of production and operation and terminates to include subsidiaries into consolidation scope from the date losing actual control of subsidiaries. As for the disposal of subsidiaries, operating results and cash flow are included in consolidated income statement and consolidated statement of cash flow before the date of the disposal; as for current disposal of subsidiaries, opening balance of the consolidated balance sheet shall not be adjusted. As for subsidiaries increased in the combination not under the same control, operating results and cash flow after the date of the acquisition are included in consolidated income statement and consolidated statement of cash flow, in addition, opening balance of the consolidated balance sheet shall not be adjusted. As for subsidiaries increased in the combination under the same control and combined parties under acquisition, operating results and cash flow from the beginning of combination to the date of combination are included in consolidated income statement and consolidated statement of cash flow, in addition, opening balance of the consolidated balance sheet shall be adjusted.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet based on their carrying amounts; while results of operations are included in the consolidated income statement, from the date that common control was established.

All the significant inter-company balances, trading and unrealized profits shall be offset when preparing the consolidated financial statement.

If current loss shoulder by minority shareholders of a subsidy over the proportion enjoyed by minority shareholders in a subsidy at owners' equity at period-begin, its balance still offset minority shareholders' equity.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-Company balances and transactions, and any unrealized profit or loss arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses resulting from intra-Company transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

When losing control right of subsidiaries because of the disposal of stock right investment or other reasons, the Company shall recalculate residual stock right in accordance to the fair value in the date of losing control right. As for remaining equity investment after disposal, the Company will re-account it according to the fair value at the date the control was lost. Any profit or loss occurred shall be recorded into the investment income during the period of losing control right. Then follow-up measurement of remaining equity shall be arranged in line with "No. 2—Long-term Equity Investment" or "No. 22—Affirmation and Calculation of Financial Instrument". More details please refer to Note IV, 13 "Long-term Equity Investment" or Note IV, 9 "Financial Instrument".

The company through multiple transactions step deals with disposal of the subsidiary's equity investment until the loss of control; need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal: ① these transactions are considered simultaneously, or in the case

of mutual influence made, ② these transactions as a whole in order to achieve a complete business results; ③ the occurrence of a transaction depends on occurs at least one other transaction ; ④ a transaction look alone is not economical, but when considered together with other transaction is economical. If they do not belong to the package deal, each of them separately, as the case of a transaction in accordance with “without losing control over the disposal of a subsidiary part of long-term equity investments” (see Note IV. 13. (2) ④)) and “due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original” (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary's investment corresponding to the difference between the disposals, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

## **6. Classification of joint arrangements and accounting treatment of joint operations**

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Company classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Company enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Company is only entitled to the net assets of the arrangement.

The Company's investments in joint ventures are measured at the equity method according to the accounting policies mentioned in Note IV. 13 (2) ② “Long-term equity investments measured at the equity method”.

For a joint operation, the Company, as a joint operator, recognizes the assets and liabilities that it holds and bears in the joint operation, and recognizes the jointly-held assets and jointly-borne liabilities according to the Company's stake in the joint operation; recognizes the income from sale of the Company's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Company's stake in it; and recognizes the expense solely incurred to the Company and the expense incurred to the joint operation according to the Company's stake in it.

When the Company, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Company only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The

Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Company shall fully recognize the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

## **7. Recognition standard for cash and cash equivalents**

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

## **8. Foreign currency businesses and translation of foreign currency financial statements**

### **(1) Accounting treatments for translation of foreign currency transactions**

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying [the spot exchange rate on the date of the transaction / an exchange rate that approximates the actual spot exchange rate on the date of transaction]. The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

### **(2) Accounting treatments for translation of foreign currency monetary items and non-monetary items**

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ① those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ② hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③ available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

## **9. Financial instruments**

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract. Financial assets and liabilities are measured at fair value in initial

recognition. As for the financial assets and liabilities measured at fair value of which changes are recorded into current gains and losses, the relevant dealing expenses are directly recorded into gains and losses; and the dealing expenses on other kinds of financial assets and liabilities are included in the amounts initially recognized.

(1) Determination of the fair value of main financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. Financial assets shall be classified into the following four categories when they are initially recognized: (a) the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

Including transactional financial assets and the financial assets which are designated to be measured at their fair value when they are initially recognized and of which the variation is recorded into the profits and losses of the current period;

The financial assets meeting any of the following requirements shall be classified as transactional financial assets: A. The purpose to acquire the said financial assets is mainly for selling them in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Being a derivative instrument, excluding the designated derivative instruments which are effective

hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

The financial assets meeting any of the following requirements shall be designated as financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period for initial recognition: A. the designation can eliminate or significantly reduce the difference of relevant gains and losses between recognition and measurement causing from different bases for measurement of financial assets; B. The official written documents for risk management and investment strategies of the enterprise have clearly stated that it shall, manage, evaluate and report to important management personnel based on the fair value, about the financial assets Company or the Company of financial assets & liabilities which the financial assets are belong to.

For the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period shall continue to be measured by fair value, gains and losses of change in fair value, dividends and interest related with these financial assets should be recorded into gains and losses of current period.

## ② Held-to-maturity investment

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading

expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

### ③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Company including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

### ④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current



period.

### (3) Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Company carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset Company with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset Company with similar credit risk and tested again on the Company basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset Company with similar credit risk for an impairment test.

#### ① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

#### ② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within

the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

#### (4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Company has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from

the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Company needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

#### (5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

##### ① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

##### ② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual

interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

### ③ Financial guarantee contract and loan commitment

For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, or the loan commitment which is not designated as a financial liability measured at its fair value and the variation thereof is recorded into the gains and losses that will be loaned lower than the market interest rate, which shall be initially recognized by fair value, and the subsequent measurement shall be made after they are initially recognized according to the higher one of the following: a. the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies; b. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

### (6) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (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, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap 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)

### (7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value though profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a

derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

#### (8) Offsetting financial assets and financial liabilities

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

#### (9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Company not recognized the changes of the fair value of the equity instrument. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

### **10. Receivables**

The receivables by the Company include account receivables, and other receivables.

#### (1) Criteria for recognition of bad debts:

The Company carries out an inspection on the balance sheet date. Where there is any objective evidence proving that the receivables have been impaired, an impairment provision shall be made:

- 1) A serious financial difficulty occurs to the issuer or debtor;
- 2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- 3) The debtor will probably become bankrupt or carry out other financial reorganizations;
- 4) Other objective evidences showing the impairment of the receivables.

#### (2) Method for bad debts provision

- ① Provisions of bad debts in account receivables that is individually significant.

The Company recognized the accounts receivables which amounted to more than 2 million as the account receivables that is individual significant.

For an account receivable that is individually significant, the asset is individually assessed for impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly.

② Provisions of bad debts in account receivables that individually insignificant item with similar credit risk characteristics that have significant risk:

#### A. Evidence of credit risk characteristics

Whether the financial asset is individually significant or not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Such credit risk reflects the repayment of all due amount under the contract, and is related to the estimation of future cash flow expected to be derived from the assets.

Evidence of portfolios:

Item	Basis
Age portfolios	Age
Related party portfolios	Companies within the combination scope of the Company

#### B. Provision by credit risk characteristics

During the Company impairment test, the amount of bad debts provisions is determined by the assessed result from the experience of historical loss and current economic status and the existing loss in the estimated account receivables according to the set of account receivables and credit risk characteristic.

Provision for different portfolios:

Item	Provision
Age portfolios	Age analysis method
Related party portfolios	Don't withdraw the bad debts provision unless the related-party lost the repaying capability

#### a. Portfolio by age analysis

Category	Proportion for accounts receivable (%)	Proportion for other receivable (%)
Within 1 year (including 1 year, similarly hereinafter)		
Including: [within 6 months]	1.00	1.00
[7 to 12 months]	5.00	5.00

Category	Proportion for accounts receivable (%)	Proportion for other receivable (%)
1 to 2 years	10.00	10.00
2 to 3 years	50.00	50.00
Over 3 years	100.00	100.00

### ③ Accounts receivable with insignificant amount but being individually withdrawn bad debts provision

When making individual impairment test on accounts receivable with insignificant amount but high credit risk, the impairment loss shall be recognized based on the difference of the book values higher than the present value of future cash flows, then withdraw the bad debts provision. For example, accounts receivable of related parties; accounts receivable involving dispute or litigation, arbitration; accounts receivable having clear signs to indicate that debtor probably can not implement obligations of payment.

#### (3) Reversal of provision for bad debt

If there is any provident demonstrating recovery of the value of the accounts receivable and objectively correlating to the issues after the confirmation of the losses, the original confirmed losses would be reversed and recorded into current gains and losses. However, the reserved book value shall not exceed the amortized costs of the accounts receivable under non-withdrawing impairment circumstance.

## 11. Inventory

### (1) Category of inventory

Inventory mainly includes raw materials, packing materials, self-made semi-manufactured products, goods in process and finished goods, etc.

### (2) Pricing method for outgoing inventories

Inventory is priced by actual costs when it is obtained. Inventory costs include procurement costs, processing costs and other costs. Weighted average method is used to price inventory when it is received and delivered.

### (3) Recognition basis of net realizable value and withdrawal method of falling price provision for inventories

Net realizable value in daily activity, it is referred to the estimated selling price minus the estimated selling expenses and related tax and fees in normal operating process. When confirming the net realizable value of inventories, the Company shall take the intention of inventories into consideration and influence of issues after balance sheet date.

On the balance sheet date, the evaluation criteria should base on the lower value between costs and net realizable value. When net realizable value is lower than costs, falling price provision of inventories shall be made. Under normal circumstances, the Company withdraws the falling price provision in according to individual inventory items, but for large quantity and low-unit-price inventories, falling price provision of inventories shall be made based on the category of inventories; for those inventories that relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, their falling price provision of inventories shall be consolidated.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, the amount of write-down shall be recovered and reversed from the original amount of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) Inventory system for inventories is perpetual inventory system

(5) Amortization method of the low-value consumption goods and packing articles

Low-value consumption goods: one-off amortization method

Packing articles: one-off amortization method

## **12. Divided as assets held for sale**

If a non-current assets could be immediately sold only according to the usual terms of selling this kind of assets under current situation, and the Group has made a decision on disposing a non-current asset, entered into an irreversible transfer agreement with the transferee and the transfer is likely to be completed within one year, the non-current asset is measured as a non-current asset held for sale, which shall not be depreciated or amortized since the date held for sale but shall be measured at the lower one of the net amounts of the book value and the fair value after deducting the disposal expense. Non-current assets held for sale include single-item assets and disposal groups. Where a disposal group is an asset group and the goodwill obtained in the business combination is apportioned to the asset group according to the “Accounting Standard No. 8 for Business Enterprises—Asset Impairment”, or a disposal group is an operation in such an asset group, the disposal group shall include the goodwill in the business combination.

The non-current assets of single amount and the assets among the disposing group that both be divided as assets held for sale, should be listed alone of the current assets on the balance sheet; liabilities related to the assets transfer among the disposing group which be divided as assets held for sale, should be listed alone of the current assets on the balance sheet.



An asset or an disposal group was classified as held for sale before, but if it couldn't meet the recognition conditions for held-for-sale non-current asset later, the Company shall cease to classify it as held for sale, and measure it by the lower amount of the followings: (1) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or impairment before the asset (or disposal group) being classified as held for sale; or (2) its recoverable amount on the date of the subsequent decision not to sell.

### **13. Long-term equity investments**

The long-term equity investments of this part refer to the long-term equity investments that the Company has control, joint control or significant influence over the investees. The long-term equity investment that the Company does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the accounting polices to Notes IV. 9 “financial instrument”.

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

#### **(1) Recognition of investment costs**

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner's equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into

the combination of the enterprises under the same control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities

and bonds securities.

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Company, the fair value of equity securities issued by the Company, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No.22 of Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instrument.

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other

comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting polices adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Company to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The assets sold by the Company to the associated enterprises or the joint ventures if could form into business, the difference between the acquired consideration and the book value of the business should be included in the current gains and losses with full amount. The assets purchased by the Company to the associated enterprises or the joint ventures if could form into business, should be accounting disposed according to the regulations of No. 20 of ASBE—Business Combination, and should be recognized gains or losses related to the transaction with full amount.

The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Company has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance

with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Company before the first execution of the new accounting criterion on 1 Jan. 2008 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

### ③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

### ④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company loses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall treated in accordance with the relevant accounting policies in Note IV. 5 (2) Method on preparation of combined financial statements.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting

the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Company acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the

other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Company respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

#### **14. Investment property**

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. Besides, for the idle constructions held by the Company for operation and lease, if the Board of Directors (or the similar institutions) made the written resolutions which affirmatively disclosed to use which for operation and lease with the intention would not change in the short term, should also be presented as the investment property.

Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditures of gains or losses should be recorded in the current gains and losses when occurred.

The Company uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note IV. 20 "Long-term assets impairment".

Occupied real estate for investment property or investment property is transferred to owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

From the date of transference, investment properties shall be transferred into fixed assets or

intangible assets when investment properties transfer into self-owned properties. From the date of transference, fixed assets or intangible assets shall be transferred into investment properties when the intention of self-owned properties changes to be earning rents. Upon transference, investment properties using cost modeling shall use its book value before transference as the entry value after transference; investment properties using fair value shall use its fair value in the date of transference as the entry value after transference.

As for investment property disposed or perpetually out of use, and estimated without economic benefits from the disposal, confirmation shall be terminated. Disposal consideration of the investment property after sale, transference, discard or damage deducting its book value and relating taxes shall be recorded into current gains and losses.

### 15. Fixed assets

#### (1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year.

#### (2) Depreciation methods of fixed assets

The initial measurement of a fixed asset shall be made at its cost after considering the effect of expected discard expenses. The Group shall withdraw the depreciation of fixed assets by adopting the straight-line method since the second month of its useful life. Useful life, expected net salvage value (refers to the expected amount that the Group may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life) and annual depreciation rate of each fixed assets are as below:

Category of fixed assets	Method	Useful life (Y)	Expected net salvage value (%)	Annual depreciation (%)
Housing and building	Average method of useful life	8-35	3-5	2.7-12.1
Machinery equipments	Average method of useful life	8-10	3-5	9.5-12.1
Transportation vehicle	Average method of useful life	4	3	24.25
Office equipment and others	Average method of useful life	3	3	32.33

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of



useful life and state the expected service life in the end.

### (3) Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note IV. 20 “Long-term assets impairment”.

### (4) Fixed Assets under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

### (5) Others

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditure shall be recognized in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

## **16. Construction in progress**

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note IV. 20 “Long-term assets impairment”.

## **17. Borrowing costs**

Borrowing costs include interest, amortization of discounts or premiums related to borrowings,

ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognized as an expense in the period in which they are incurred. Qualifying assets are asset (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before ready for intended used or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognized as an expense for the current period until the acquisition, construction or production is resumed.

## **18. Intangible assets**

### **(1) Intangible asset**

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated all of the land use rights and buildings should be accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Company reviews the useful life and amortization method at the end of the period, and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

## (2) Research and development cost

Cost of research and development is distinguished into the research phase and the development phases.

Cost of the research phase is recognized in the profit or loss in the period in which it is incurred.

Unless the following conditions are satisfied, cost of the development phase is recognized in the profit or loss in the period in which it is incurred:

- ① it is technically feasible to complete the intangible asset so as to use it or sell it;
- ② it is clearly intended to complete the intangible asset in order to use it or sell it;
- ③ it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;
- ④ there are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;
- ⑤ the cost of the development of the intangible can be measured reliably.

If the cost cannot be distinguished into the search phase and the development phase, it is recognized in the profit or loss for the period in which it is incurred.

## (3) Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note IV. 20 “Long-term assets impairment”.

### **19. Long-term deferred expenditure**

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period (a period during which an expense is expected to bring economic benefits to an entity) which is longer than one year and which includes at least part of the reporting period during which the expense was incurred and subsequent reporting periods. An item of long-term deferred expenses is recognized at the actual amount of the expense incurred and allocated in each month of the beneficial period using the straight line method.

### **20. Long-term assets impairment**

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm’s length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an

estimation of the present value of the future expected cash flows from the asset Groups or sets of asset Groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset Groups or sets of asset Groups and also choose a suitable discount rate in order to calculate the present value of those cash flows. Once the loss from above asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

## **21. Payroll**

The payroll of the Company mainly includes the short-term employee compensation, welfare after demission, demission welfare and other long-term employee benefits. Of which:

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labour union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

Welfare after demission mainly includes setting drawing plan. Of which setting the drawing plan mainly includes basic endowment insurance, unemployment insurance and annuity etc, and the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

If an enterprise cancels the labour relationship with any employee prior to the expiration of the relevant labour contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owing to relieve the labour relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee's service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition

conditions of estimated liabilities.

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

## **22. Estimated liabilities**

Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determined as liabilities: (1) This obligation is current obligation of the Company; and, (2) The performance of this obligation will probably cause economic benefits outflow of the Company; and, (3) The amount of this obligation can be reliably measured.

On balance sheet date the Company performed relate obligation that consider risk, incertitude, time value of currency of contingency factor. According to the best estimate of the expenditure required to settle the present obligation for estimated liabilities measured.

If the expenditure required to settle the liability is expected to be fully or partly compensated by a third party, to determine the amount of compensation will be received at the basic, separately recognized as an asset, and is recognized in the amount of compensation does not exceed the carrying value of estimated liabilities.

## **23. Revenues**

### **(1) Commodity sales revenues**

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

In the Company's daily accounting practices, as for the domestic sales, when the products had shipped out of the library and had handed over to the buyers, and the major risk as well as the reward on the ownership of the products had transferred to them, without keeping any continued management right which commonly related to the ownership nor carrying out any effective control of the products which had been sold, and at the same time the amounts received could be calculated reliably, and the relevant economic interest may flow into the enterprise, as well as the relevant

costs which had occurred or is going to occur could be calculated reliably, should recognize the implementation of the commodity sales revenues. As for the overseas sales, should recognize the implementation of the revenues when the goods had made shipment and gained the customs export declaration.

#### (2) Revenues from providing labor services

If an enterprise can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the balance sheet date. The percentage-of-completion is determined by the proportion of the costs incurred against the estimated total costs.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: ① The amount of revenue can be measured in a reliable way; ② The relevant economic benefits are likely to flow into the enterprise; ③ The schedule of completion under the transaction can be confirmed in a reliable way; ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the Company can not measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: If the cost of labor services incurred is expected to be compensated, the compensation amount for the cost of labor services shall be recognized as the revenue from providing labor service, and the cost of labor service incurred shall be as the current cost; if the cost of labor services incurred is not expected to compensate, no revenue from the providing of labor services may be recognized.

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

#### (3) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis. In the Company's daily accounting practices, it should be calculated and recognized according to the chargeable time and methods in accordance with the relevant contract or agreement.

#### (4) Interest revenue

In accordance with the time that others use the Group's monetary capital and the actual rate.

#### **24. Government subsidies**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income.

The government grants which were acquired by the Company will be used to purchase or otherwise form become long-term assets will be defined as grant related to the assets; the others will be defined as grants related to the income. If the files have not clearly defined government grants objects, it will be divided in the following manner compartmentalize the grants into grant related to the assets and grants related to the income: (1) government documents defined specific projects targets, according to the relative proportion of the budgets of specific items included the expenditure of to form assets and the expenditure will be charged into expense to be divided, the division ratio required at each balance sheet date for review and make changes if necessary; (2) government documents to make a general presentation purposes only, does not specify a particular project, as grants related to the income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

When received the government grants actually, recognized and measured them by the actual amount received. However, there is strong evidence that the end of fiscal support policies able to meet the conditions specified in the relevant funds are expected to be able to receive financial support, measured at the amount receivable. Government grants are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable of government departments issued a document entitled have been confirmed, or could reasonably estimated in accordance with the relevant provisions of its own official release of financial resources management approach, and the expected amount of a material uncertainty which does not exist; (2) it is based on the local financial sector to be officially released and financial support for the project and its financial fund management approach voluntarily disclosed in accordance with the provisions of "Regulations on Disclosure Government Information", and the management approach should be (inclusive of any compliance business conditions may apply), and not specifically formulated for specific businesses;(3) related grants approval has been clearly committed the deadline, and is financed by the proceeds of a corresponding budget as a guarantee, so that will be received within the prescribed period with the a reasonable assurance; (4) according to the specific circumstances of the Company and the subsidy matter, should satisfy the other conditions (if any).



A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

For repayment of a government grant already recognized, if there is a related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

## **25. Deferred tax assets and deferred tax liabilities**

### **(1) Income tax for the current period**

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

### **(2) Deferred income tax assets and liabilities**

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

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognized except where the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones

mentioned above are recognized.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset is recognized.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognized if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Company recognizes other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

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

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Company reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

### (3) Income tax expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked into other income or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

### (4) Income tax offset

When we have the legal right, and have intended to, to make settlement with net amount or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are

related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

## **26. Leases**

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

### **(1) The Company as Lessee under operating Lease**

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

### **(2) The Company as Leaser under operating Lease**

Lease income from operating leases shall be recognized by the leaser in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

### **(3) The Company as Lessee under financing Lease**

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the

long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset.

The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

### **(4) In the case of the lessor of a financing lease**

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of

the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income, which is amortized using the effective interest rate method over each period during the lease term.

Finance lease receivable less unearned finance income shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unearned finance income shall be computed by the effective interest method during the lease term.

Contingent rent shall be credited into profit or loss in which actually incurred.

## **27. Changes in main accounting policies and estimates**

### **(1) Change of accounting policies**

There was no any change of accounting policies

### **(2) Change of main accounting estimates**

There was no any change of main accounting estimates.

## **28. Significant account judgment and estimates**

The Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of operation activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. These judgments, estimates and assumptions may affect value of the financial statements in revenue, expenses, assets and liabilities and the disclosure of contingency at the balance sheet date. However, the result derived from those uncertainties in estimates may lead significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The Company has reviews the judgments, estimates and assumptions regularly on the basis of going concern. Where the changes in accounting estimates only affect the period when changes occurred, and they are recognized within the same period. Where the changes in accounting estimates affect both current period and future period, the changes are recognized within the period of change and future period.

At balance sheet date, the followings are the significant areas where the Company needs to make judgment, estimates and assumptions over the value of items in the financial statements:

### **(1) Classification of lease**

The Company classifies leases as operating lease and financing lease according to the rule stipulated in the Accounting Standard for Business Enterprises No. 21—Leasing. The management shall make analysis and judgment on whether the risks and rewards related to the title of leased assets has been transferred to the leaser, or whether the Company has substantially held the risks and rewards related to the ownership of leased assets.

## (2) Allowance for bad debt

According to the relevant accounting policies of the Company in receivables, allowance method is used for bad debt's calculation. The impairment of receivables is calculated based on the assessment of recoverable of receivables. Assurance of receivable impairment needs judgments and estimations from the management. The difference between actual results and original estimates shall have impact on the carrying amount of receivables and receivable bad debt provisions or the reverse during the change of estimation.

## (3) Impairment of inventories

The Company measures inventories by the lower of cost and realizable net value according to the accounting policies in regard of inventories and provisions for decline in value of inventories are made if the cost is higher than their net realizable value and obsolete and slow-movement inventories. Inventories decline in value to net realizable value is the estimated selling price in the ordinary course of business. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events. The difference between the actual result and the original estimates shall have impact on reverse of the carrying amount of the inventories and their decline in value or provisions during the period of change.

## (4) The fair value of financial instruments

For a financial instrument which has no active market, the Company establishes fair value by using various valuation methods, including of discounted cash flow analysis model. The Company needs to estimate future cash flow, credit risk, volatility and relationship during the valuation and choose appropriate discount rate. Such assumptions have uncertainties and their changes shall have impact on the fair value of financial instruments.

## (5) Impairment of financial assets available-for-sale

The Company determine the available-for-sale financial asset is impaired relies on judgments and assumptions of management, to determine whether impairment loss is recognized in the income statement. The process of making the judgments and assumptions, the Company is required to assess the extent and duration of the fair value of the investment below cost, as well as investment financial position and short-term business outlook, including industry conditions, technological change, the credit rating, default rates and counterparty risk.

## (6) Impairment of non-financial, non-current assets

The Company assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there

is any indication that its account balance cannot be recovered.

Impairment exists when the recoverable amount of an asset is the higher of its fair value less cost of disposal and present value of the future cash flows expected to be derived from the asset.

Net value between the difference of fair value and disposal cost is determined by reference of the price of similar product in a sale agreement in an arm's length transaction or an observable market price less the additional cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made over the asset's production, selling price and relevant operating expenses, and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Company makes an impairment test for goodwill at least at each year end. This requires an estimation of present value of future cash flow of the assets or assets group where goodwill has been allocated. The Company shall makes estimation on the future cash flow derived from assets or assets group and determine an appropriate discount rate for the present value of future cash flow when the estimation of present value of future cash flow is made.

#### (7) Depreciation and amortization

Investment property, fixed assets and intangible assets are depreciated and amortized using the straight-line method over their useful lives after taking into account residual value. The useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factor used to determine the depreciation or amortization, the rate of depreciation or amortization is revised.

#### (8) Deferred tax assets

The group shall recognize all unused tax losses as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. This requires the management of the Company make a lot of judgments over the estimation of time period, value and tax planning strategies when future taxable profit incurs so that the value of deferred tax assets can be determined.

#### (9) Income tax

There are some transactions where ultimate tax treatments and calculations have uncertainties in the Company's everyday operation. If it is possible for any item to make expenditure before tax that needs to be approved from competent tax authorities. If there is any difference between finalized determination value and their initial estimations value, the difference shall have the impact on the

income tax and deferred income tax of the current period during the final determination.

#### (15) Accrued liabilities

According with the terms of the contract, the existing knowledge and historical experience, product quality assurance and expected contract losses, delay in delivery of liquidated damages are estimated and recognized as accrued liabilities. In these matters has been the formation of a current obligation, and fulfilling the duty is likely to lead to the outflow of economic benefits of the Company, the Company or the best estimate of the current obligation expenditure required recognized as a accrued liabilities. Recognition and measurement of accrued liabilities is dependent on the judgment of management. In the processing of judgment the company needed to appraise the related risks, uncertainties and time value of money and other factors.

### VII. Taxation

#### 1. Main taxes and tax rate

Category of taxes	Particulars about specific tax rate
VAT	Income tax was in accordance with 17% of tax rate to calculate output tax, and according to the balance of the current the deductibility deduct the input tax to calculate value added tax.
Consumption tax	Sales of wine per 1000 ml or per kg 1 Yuan to calculate the amount of consumption tax, a flat rate, 20% of the annual turnover to calculate the amount of consumption tax at valorem.
Business Tax	5% of turnover tax payable.
Urban maintenance and construction tax	1, 5, 7% of the actual taxable turnover amount.
Education expenses surcharge	3% of the actual taxable turnover amount.
Local education surcharge	2% of the actual taxable turnover amount.
Enterprise income tax	25% of the actual taxable turnover amount.

### VIII. Notes on major items in consolidated financial statements of the Company

The following notes (including notes on major items in consolidated financial statements of the Company), unless otherwise noted, the opening period was 1st Jan. 2015, the closing period was 30 Jun. 2015, this period referred to 1st Jan-30 Jun. 2015, and last period referred to 1st Jan-30 Jun. 2014.

#### 1. Monetary funds

Item	Closing balance	Opening balance
Cash in treasury	367,649.75	349,833.07
Bank deposit	924,353,716.95	713,744,608.33

Item	Closing balance	Opening balance
Other monetary funds	9,507,386.21	4,366,001.39
Total	934,228,752.91	718,460,442.79
Of which: the total amount deposited in overseas	0.00	0.00

## 2. Financial assets measured by fair value and the changes be included in the current gains and losses

Item	Closing balance	Opening balance
Tradable financial assets	414,875.36	303,919.60
Of which: equity instruments investment	414,875.36	303,919.60
Total	414,875.36	303,919.60

## 3. Notes receivable

### (1) Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptance bill	773,020,909.81	505,893,430.66
Total	773,020,909.81	505,893,430.66

### (2) Notes receivable pledged by the Company at the period-end

Item	Amount
Bank acceptance bill	220,924,000.00
Total	220,924,000.00

### (3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	395,557,755.25	0.00
Total	395,557,755.25	0.00

## 4. Accounts receivable

### (1) Accounts receivable disclosed by category



Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount and individually withdrawn bad debt provision	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	6,816,979.47	100.00	1,045,865.91	15.34	5,771,113.56
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	6,816,979.47	100.00	1,045,865.91	15.34	5,771,113.56

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts receivable with significant single amount and individually withdrawn bad debt provision	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	5,393,735.97	100.00	1,055,782.71	19.57	4,337,953.26
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	5,393,735.97	100.00	1,055,782.71	19.57	4,337,953.26

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year			

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
[Including: within 6 months]	4,936,939.15	49,369.39	1
[7 months to 1 year]	381,351.43	19,067.57	5
Subtotal of within 1 year	5,318,290.58	68,436.96	1.29
1 year to 2 years	361,932.00	36,193.20	10
2 years to 3 years	391,042.28	195,521.14	50
Over 3 years	745,714.61	745,714.61	100
Total	6,816,979.47	1,045,865.91	15.34

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The amount of the reversed or collected part during the reporting period was of RMB 9,916.80.

(3) The actual write-off accounts receivable

There was no any actual write-off account receivable.

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

The total amount of the top5 of the closing balance of the accounts receivable collected according to the arrears party during the reporting period of the Company was of RMB 2,321,280.45 which covered 34.05% of the total amount of the closing balance of the accounts receivable and the corresponding total amount of the closing balance of the withdrawn bad debt provision was of RMB 450,247.66.

## 5. Prepayment

(1) List by aging analysis

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	59,118,017.65	99.96	35,406,358.00	99.14
1 to 2 years	14,092.60	0.03	163,485.98	0.46
2 to 3 years	5,174.00	0.01	141,774.00	0.40
Total	59,137,284.25	100.00	35,711,617.98	100.00

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

The total amount of the top 5 of the closing balance of the prepayment collected according to the prepayment target of the Company was of RMB 25,670,906.52 which covered 43.41% of the total amount of the closing balance of the prepayments.

**6. Interest receivable**

Item	Closing balance	Opening balance
Structured deposits interest	2,369,097.21	4,274,666.66
Total	2,369,097.21	4,274,666.66

**8. Other accounts receivable**

## (1) Other accounts receivable disclosed by category

Category	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount and individually withdrawn bad debt provision	50,727,440.55	82.60	50,727,440.55	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	10,688,508.62	17.40	319,307.39	2.99	10,369,201.23
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	0.00	0.00	0.00	0.00	0.00
Total	61,415,949.17	100.00	51,046,747.94	83.12	10,369,201.23

(Continued)

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivable with significant single amount and individually withdrawn bad debt provision	50,727,440.55	85.92	50,727,440.55	100.00	0.00
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	8,310,068.17	14.08	342,164.93	4.12	7,967,903.24
Other accounts receivable with	0.00	0.00	0.00	0.00	0.00

Category	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
insignificant single amount for which bad debt provision separately accrued					
Total	59,037,508.72	100.00	51,069,605.48	86.50	7,967,903.24

① Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Accounts receivable (classified by units)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdraw proportion (%)	Withdraw reason
Jianqiao Securities	11,840,500.00	11,840,500.00	100.00	The enterprise entered into bankruptcy and settlement procedure
Hengxin Securities	29,502,438.53	29,502,438.53	100.00	The enterprise entered into bankruptcy and settlement procedure
Minfa Securities Co., Ltd.	9,384,502.02	9,384,502.02	100.00	The enterprise entered into bankruptcy and settlement procedure
Total	50,727,440.55	50,727,440.55		

① Other accounts receivable that provision for bad debts by aging analysis

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdraw proportion (%)
Within 1 year			
[Including: within 6 months]	9,288,574.41	92,885.74	1
[7 months to 1 year]	896,035.62	44,801.78	5
Subtotal of within 1 year	10,184,610.03	137,687.52	1.35
1 year to 2 years	281,536.27	28,153.63	10
2 years to 3 years	137,792.16	68,896.08	50
Over 3 years	84,570.16	84,570.16	100

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdraw proportion (%)
Total	10,688,508.62	319,307.39	2.99

(2) Other accounts receivable withdraw, reversed or collected during the reporting period

The amount of the reversed or collected part during the reporting period was of RMB 22,857.54.

(3) The actual write-off other accounts receivable

There was no any write-off other account receivable during the reporting period.

(4) List of other accounts receivable classified by nature

Nature	Closing book value	Opening book value
Investment securities	50,727,440.55	50,727,440.55
Cash deposit and cash pledge	4,997,666.77	1,786,964.87
Travel cash advance	3,088,898.54	3,772,242.50
Rent and water steam fees	850,866.10	903,964.37
Other	1,751,077.21	1,846,896.43
Total	61,415,949.17	59,037,508.72

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Name of units	Nature	Closing balance	Aging	Proportion of the total closing balance of the other accounts receivable (%)	Closing balance of bad debt provision
No. 1	Investment securities	29,502,438.53	Over 3 years	48.04	29,502,438.53
No. 2	Investment securities	11,840,500.00	Over 3 years	19.28	11,840,500.00
No. 3	Investment securities	9,384,502.02	Over 3 years	15.28	9,384,502.02
No. 4	Contract money and cash pledge	2,304,249.00	Within 6 months	3.75	23,042.49
No. 5	Contract money and cash pledge	689,658.09	With 7-12 months	1.12	34,482.90
Total		53,721,347.64		87.47	50,784,965.94

## 8. Inventory

(1) Category of inventory

Item	Closing balance		
	Book balance	Falling price reserves	Book value
Raw materials & wrappage	80,400,225.48	8,870,480.03	71,529,745.45
Homemade semi-finished products and products in process	1,098,185,795.24	0.00	1,098,185,795.24
Finished products	85,669,702.89	7,529,857.62	78,139,845.27
Total	1,264,255,723.61	16,400,337.65	1,247,855,385.96

(Continued)

Item	Opening balance		
	Book balance	Falling price reserves	Book value
Raw materials & wrappage	112,077,576.03	8,700,056.12	103,377,519.90
Homemade semi-finished products and products in process	1,061,359,515.77	0.00	1,061,359,515.77
Finished products	67,034,474.15	4,588,735.74	62,445,738.42
Total	1,240,471,565.95	13,288,791.86	1,227,182,774.09

(2) Falling price reserves of inventory

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials & wrappage	8,700,056.12	170,423.91	0.00	0.00	0.00	8,870,480.03
Homemade semi-finished products and products in process	0.00	0.00	0.00	0.00	0.00	0.00
Finished products	4,588,735.74	3,573,035.31	0.00	631,913.43	0.00	7,529,857.62
Total	13,288,791.86	3,743,459.22	0.00	631,913.43	0.00	16,400,337.65

(3) Basis of provision for falling price of inventories and reasons of reversal and resell in reporting period

Item	Basic of provision for falling price of inventories	Reason of reversed the provision for falling price of inventories of the reporting period	Reason of resell the provision for falling price of inventories of the reporting period
Raw materials & wrappage	Net realizable value below cost		Disposal of raw material withdrawn impairment provision in reporting period
Finished goods	Net realizable value below cost		Disposal of finished withdrawn impairment provision in reporting period

## 9. Other current assets

Item	Closing balance	Opening balance
Finance products	1,450,000,000.00	1,320,000,000.00
Pledge-style repo reverse	0.00	180,712,225.81
Tax deductible	0.00	840,250.30
Total	1,450,000,000.00	1,501,552,476.11

## 10. Available-for-sale financial assets

### (1) Lists of available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	234,362,590.00		234,362,590.00	65,332,932.00		65,332,932.00
Of which: Measured by fair value	234,362,590.00		234,362,590.00	65,332,932.00		65,332,932.00

Measured by cost	0.00	0.00	0.00	0.00
Other	23,000,000.00	23,000,000.00	23,000,000.00	23,000,000.00
Total	257,362,590.00	257,362,590.00	88,332,932.00	88,332,932.00

## (2) Available-for-sale financial assets measured by fair value at the period-end

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments	Total
Costs of equity instruments/ amortized cost of liabilities instruments	138,240,694.79	0.00	138,240,694.79
Fair value	234,362,590.00	0.00	234,362,590.00
Changes amount of fair value accumulatively recorded into other comprehensive income	96,121,895.21	0.00	96,121,895.21
Withdrawn impairment provision amount	0.00	0.00	0.00

## (3) Available-for-sale financial assets measured by cost at the period-end

Investee	Book balance				Impairment provision			
	Period-beg in	Increas e	Decreas e	Period-end	Period-beg in	Increas e	Decreas e	Period-en d
Anjin No. 11 Collection Trust Plan	23,000,000.00	0.00	0.00	23,000,000.00	0.00	0.00	0.00	0.00
Total	23,000,000.00	0.00	0.00	23,000,000.00	0.00	0.00	0.00	0.00

**11. Investment property**

## (1) Investment property adopted the cost measurement mode

Item	Houses and buildings	Land use right	Total
I. Original book value			



Item	Houses and buildings	Land use right	Total
1. Opening balance	74,748,266.02	2,644,592.00	77,392,858.02
2. Increased amount of the period	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
4. Closing balance	74,748,266.02	2,644,592.00	77,392,858.02
<b>II. Accumulative depreciation and accumulative amortization</b>			
1. Opening balance	44,927,757.41	390,744.37	45,318,501.78
2. Increased amount of the period	1,467,106.65	31,007.28	1,498,113.93
(1) Withdrawal or amortization	1,467,106.65	31,007.28	1,498,113.93
	0.00	0.00	0.00
4. Closing balance	46,394,864.06	421,751.65	46,816,615.71
<b>III. Depreciation reserves</b>			
1. Opening balance	0.00	0.00	0.00
2. Increased amount of the period	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
<b>IV. Book value</b>			
1. Closing book value	28,353,401.96	2,222,840.35	30,576,242.31
2. Opening book value	29,820,508.61	2,253,847.63	32,074,356.24

## 12. Fixed assets

### (1) List of fixed assets

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office equipment	Total
<b>I. Original book value</b>					
1. Opening balance	1,576,781,874.52	736,224,507.49	49,463,729.87	56,353,173.45	2,418,823,285.33

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office equipment	Total
2. Increased amount of the period	58,895,702.01	9,872,251.82	3,788,341.18	6,348,198.77	78,904,493.78
(1) Purchase	0.00	9,872,251.82	3,788,341.18	6,348,198.77	20,008,791.77
(2) Transfer of project under construction	58,895,702.01	0.00	0.00	0.00	58,895,702.01
3. Decreased amount of the period	0.00	13,712,681.15	510,805.44	182,999.81	14,406,486.40
(1) Disposal or scrap	0.00	13,712,681.15	510,805.44	182,999.81	14,406,486.40
(2) Technology transfer into construction projects	0.00	0.00	0.00	0.00	0.00
4. Closing balance	1,635,677,576.53	732,384,078.16	52,741,265.61	62,518,372.41	2,483,321,292.71
<b>II. Accumulative depreciation</b>					
1. Opening balance	376,591,354.84	232,008,403.62	35,510,538.63	43,891,172.49	688,001,469.58
2. Increased amount of the period	32,921,844.10	37,050,548.01	3,656,080.53	4,119,694.03	77,748,166.67
(1) Withdrawal	32,921,844.10	37,050,548.01	3,656,080.53	4,119,694.03	77,748,166.67
3. Decreased amount of the period	0.00	11,493,427.41	495,481.28	179,964.37	12,168,873.06
(1) Disposal or scrap	0.00	11,493,427.41	495,481.28	179,964.37	12,168,873.06
(2) Technology transfer into construction projects	0.00	0.00	0.00	0.00	0.00
4. Closing balance	409,513,198.94	257,565,524.22	38,671,137.88	47,830,902.15	753,580,763.19
<b>III. Depreciation reserves</b>					
1. Opening balance	4,133,377.10	2,553,971.54	0.00	0.00	6,687,348.64
2. Increased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Withdrawal	0.00	0.00	0.00	0.00	0.00
3. Decreased amount of the period	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrap	0.00	0.00	0.00	0.00	0.00
4. Closing balance	4,133,377.10	2,553,971.54	0.00	0.00	6,687,348.64

Item	Houses and buildings	Machinery equipment	Transportation equipment	Office equipment	Total
IV. Book value					
1. Closing book value	1,222,031,000.49	472,264,582.40	14,070,127.73	14,687,470.26	1,723,053,180.88
2. Opening book value	1,196,057,142.58	501,662,132.33	13,953,191.24	12,462,000.96	1,724,134,467.11

## (2) List of temporarily idle fixed assets

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	15,719,043.63	11,411,262.48	4,133,377.10	174,404.05	
Machinery equipment	11,408,610.31	8,824,987.29	2,553,971.54	29,651.48	
Total	27,127,653.94	20,236,249.77	6,687,348.64	204,055.53	

## (3) Fixed assets leased in from financing lease

Item	Closing book value
Machinery equipment	2,883,127.28
Transportation instruments	15,668.31
Office equipment and other	20,767.88
Total	2,919,563.47

## (4) Details of fixed assets failed to accomplish certification of property

Item	Book value	Reason
Industrial park office building	73,604,583.93	Uniform handling after the completion of the industrial park project
The fire station	1,004,060.07	Uniform handling after the completion of the industrial park project

Item	Book value	Reason
No.1 Peiqu building	11,402,716.36	Uniform handling after the completion of the industrial park project
No.2 Peiqu building	11,402,716.36	Uniform handling after the completion of the industrial park project
No.3 Peiqu building	11,402,716.36	Uniform handling after the completion of the industrial park project
No.4 Peiqu building	12,131,198.76	Uniform handling after the completion of the industrial park project
No.5 Peiqu building	12,143,784.02	Uniform handling after the completion of the industrial park project
Industrial park No. 1 brewhouse	23,767,032.42	Uniform handling after the completion of the industrial park project
Industrial park No. 2 brewhouse	23,942,269.18	Uniform handling after the completion of the industrial park project
Industrial park No. 3 brewhouse	24,299,335.84	Uniform handling after the completion of the industrial park project
Industrial park No. 4 brewhouse	24,262,069.95	Uniform handling after the completion of the industrial park project
Bran warehouse, yeast warehouse	36,741,572.55	Uniform handling after the completion of the industrial park project
Auxiliary workshop office building	1,141,031.03	Uniform handling after the completion of the industrial park project
Sewage treatment station of industrial park	12,000,709.02	Uniform handling after the completion of the industrial park project
Blending workshop, wine collection station and stainless steel tank district	20,191,071.77	Uniform handling after the completion of the industrial park project
No.2, No. 3 stainless steel tank district	23,512,212.12	Uniform handling after the completion of the industrial park project
Industrial Park No.1 filling house	37,953,866.04	Uniform handling after the completion of the industrial park project

Item	Book value	Reason
Industrial Park No.2 filling house	40,613,173.81	Uniform handling after the completion of the industrial park project
Industrial Park No.6 filling house	21,717,100.56	Uniform handling after the completion of the industrial park project
Industrial Park No.8 filling house	25,323,401.30	Uniform handling after the completion of the industrial park project
Reception and multi-function hall	25,204,127.80	Uniform handling after the completion of the industrial park project
Scientific research and comprehensive command center	28,212,112.96	Uniform handling after the completion of the industrial park project
Logistics office building, canteen, salvage station	4,430,535.36	Uniform handling after the completion of the industrial park project
Qinggong apartment	10,189,005.39	Uniform handling after the completion of the industrial park project
Industrial Park electropower station	34,923,526.86	Uniform handling after the completion of the industrial park project
Industrial park No. 5 brewhouse	25,982,050.51	Uniform handling after the completion of the industrial park project
Industrial park No. 7 brewhouse	25,821,630.87	Uniform handling after the completion of the industrial park project
Industrial Park No.3 filling house	44,382,898.57	Uniform handling after the completion of the industrial park project
Hefei marketing command center	141,054,942.80	Had not perform the final accounts of the completed project
Underground pottery jar wine warehouse	18,049,486.35	Uniform handling after the completion of the industrial park project
Total	806,806,938.92	

### 13. Construction in progress

(1)

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Renovation project of major potential safety concerns	18,430,328.81	0.00	18,430,328.81	0.00	0.00	0.00
Shenzhen experience museum	2,996,600.00	0.00	2,996,600.00	0.00	0.00	0.00
Thermal power generator	1,145,025.64	0.00	1,145,025.64	0.00	0.00	0.00
Removal and R&D project of base liquid and support facility project	6,973,661.51	0.00	6,973,661.51	59,085,920.04	0.00	59,085,920.04
Operation network of Gujing	1,577,655.78	0.00	1,577,655.78	1,753,888.88	0.00	1,753,888.88
Glass company II workshop technical renovation project	5,513,757.23	0.00	5,513,757.23	5,036.50	0.00	5,036.50
Other	2,522,093.89		2,522,093.89	792,665.54	0.00	792,665.54
Total	39,159,122.86	0.00	39,159,122.86	61,637,510.96	0.00	61,637,510.96

(2) Changes of significant construction in progress

Name of project	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Renovation project of major potential safety concerns	103,670,000.00	0.00	18,430,328.81	0.00	0.00	18,430,328.81
Shenzhen experience museum	6,800,000.00	0.00	2,996,600.00	0.00	0.00	2,996,600.00

Name of project	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Thermal power generator	3,500,000.00	0.00	1,145,025.64	0.00	0.00	1,145,025.64
Removal and R&D project of base liquid and support facility project	800,000,000.00	59,085,920.04	279,000.00	58,439,814.27	21,572,444.26	6,973,661.51
Operation network of Gujing	8,350,000.00	1,753,888.88	0.00	0.00	176,233.1	1,577,655.78
Glass company II workshop technical renovation project	14,999,000.00	5,036.50	5,508,720.73	0.00	0.00	5,513,757.23
Other	2,600,000.00	792,665.54	2,185,316.09	455,887.74	0.00	2,522,093.89
Total	939,919,000.00	61,637,510.96	58,165,991.27	58,895,702.01	21,748,677.36	39,159,122.86

(Continued)

Name of project	Proportion of project accumulative investment in budget (%)	Progress of works	Accumulative amount of capitalization of interest	Including: capitalization of interest this period	Capitalization of interest rate (%)	Source of funding
Renovation project of major potential safety concerns	17.78	18.00%	0.00	0.00	0.00	Owned fund
Shenzhen experience museum	44.07	90.00%	0.00	0.00	0.00	Owned fund
Thermal power generator	32.72	80.00%	0.00	0.00	0.00	Owned fund
Removal and R&D project of base liquid and support facility project	92.35	99.00%	0.00	0.00	0.00	Owned fund
Operation network	50.59	60.00%	0.00	0.00	0.00	Owned fund

Name of project	Proportion of project accumulative investment in budget (%)	Progress of works	Accumulative amount of capitalization of interest	Including: capitalization of interest this period	Capitalization of interest rate (%)	Source of funding
of Gujing						
Glass company II workshop technical renovation project	92.35	95.00%	0.00	0.00	0.00	Owned fund
Other	97.00	98.00%	0.00	0.00	0.00	Owned fund
Total						

#### 14. Intangible assets

Item	Land use right	Patent	Software	Total
I. Total original book value				
1. Opening balance	351,249,420.80	38,150,000.00	4,465,480.74	393,864,901.54
2. Increase in the reporting period	0.00	0.00	0.00	0.00
(1) Purchase	0.00	0.00	0.00	0.00
3. Decrease in the reporting period	0.00	0.00	0.00	0.00
4. Closing balance	351,249,420.80	38,150,000.00	4,465,480.74	393,864,901.54
II. Total accrued amortization				
1. Opening balance	47,205,017.04	38,090,000.00	2,081,101.90	87,376,118.94
2. Increase in the reporting period	3,435,174.75	30,000.00	1,113,503.33	4,578,678.08
(1) Withdrawal	3,435,174.75	30,000.00	1,113,503.33	4,578,678.08
3. Decrease in the reporting period	0.00	0.00	0.00	0.00
4. Closing balance	50,640,191.79	38,120,000.00	3,194,605.23	91,954,797.02



Item	Land use right	Patent	Software	Total
III. Total impairment provision				
1. Opening balance	0.00	0.00	0.00	0.00
2. Increase in the reporting period	0.00	0.00	0.00	0.00
3. Decrease in the reporting period	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00
IV. Total book value of intangible assets				
1. Book value of the period-end	300,609,229.01	30,000.00	1,270,875.51	301,910,104.52
2. Book value of the period-begin	304,044,403.76	60,000.00	2,384,378.84	306,488,782.60

### 15. Long-term unamortized expenses

Item	Opening balance	Increase	Amortization amount	Other decrease	Closing amount
Yeast house & yeast frame project	4,441,727.75	0.00	761,679.42	0.00	3,680,048.33
Reform on highly qualified base liquid project	11,026,663.52	21,572,444.26	2,422,144.45	0.00	30,176,963.33
Specialty store decoration engineering	31,138,198.70	618,565.76	7,378,013.43	0.00	24,378,751.03
Beijing experience centre decoration project	19,390,786.73	59,376.05	1,484,772.48	0.00	17,965,390.30
The relocation compensation of Beijing experience center	13,125,000.00	0.00	750,000.00	0.00	12,375,000.00
Wine culture museum decoration project	74,686.00	0.00	74,686.00	0.00	0.00
Sewage treatment project	5,450,000.00	0.00	300,000.00	0.00	5,150,000.00
Afforestation fees	37,098,217.07	1,437,152.00	6,908,008.29	0.00	31,627,360.78
Gujing mountain villa decoration project	6,174,098.69	0.00	508,878.71	244,911.99	5,420,307.99
Hangzhou experience club project	56,812.80	0.00	56,812.80	0.00	0.00

Item	Opening balance	Increase	Amortization amount	Other decrease	Closing amount
Wine stores goods shelf	0.00	1,690,683.77	0.00	0.00	1,690,683.77
Other	3,944,987.97	360,000.00	684,999.99	0.00	3,619,987.98
Total	131,921,179.23	25,738,221.84	21,329,995.57	244,911.99	136,084,493.51

## 16. Deferred income tax assets/deferred income tax liabilities

### (1) Lists of deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	52,092,613.85	13,023,153.46	52,125,136.19	13,031,224.13
Provision for obsolete stocks	16,400,337.65	4,100,084.41	13,288,791.86	3,322,197.97
Fixed assets depreciation reserves	6,685,305.34	1,671,326.34	6,685,305.34	1,671,326.34
Internal unrealized purchase and sale profits	85,470.12	21,367.53	965,447.20	241,361.80
Deferred income	39,042,134.11	9,760,533.53	40,839,961.86	10,209,990.47
Deductible losses	0.00	0.00	0.00	0.00
Impairment provisions of intangible assets	0.00	0.00	0.00	0.00
Accrued expenses	117,818,360.16	29,454,590.04	87,066,783.07	21,766,695.77
Changes in the fair value of Available-for-sale financial assets	0.00	0.00	0.00	0.00
Carry-over payroll payable deducted in next period	19,320,296.38	4,830,074.10	52,003,828.06	13,000,957.02
Total	251,444,517.61	62,861,129.41	252,975,253.58	63,243,753.50

### (2) List of deferred income tax assets

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of trading financial assets	40,432.58	10,108.14	121,035.00	30,258.75

Changes in fair value of available for sale financial assets	96,121,895.21	24,030,473.80	22,226,138.76	5,556,534.69
Total	96,162,327.79	24,040,581.94	22,347,173.76	5,586,793.44

## (3) List of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	2,295.30	2,295.30
Deductible losses	979,384.41	1,179,384.41
Total	981,679.71	1,181,679.71

## 17. Notes payable

Category	Closing balance	Opening balance
Bank acceptance	253,424,000.00	192,850,000.00
Trade acceptance	40,660,023.18	65,602,214.00
Total	294,084,023.18	258,452,214.00

## 18. Accounts payable

## (1) List of accounts payable

Item	Closing balance	Opening balance
Within 1 year	303,026,867.59	311,334,691.25
Over 1 year	92,344,680.13	93,299,505.33
Total	395,371,547.72	404,634,196.58

## (2) Notes of significant accounts payable aging over 1 year

Item	Closing balance	Reason
A Company	17,078,961.49	The project had not perform the final settlement of account
B Company	11,525,200.00	The project had not perform the final settlement of account
C Company	7,615,752.27	The project had not perform the final settlement of account
D Company	7,544,026.71	The project had not perform the final settlement of account
E Company	6,376,632.93	The project had not perform the final settlement of account

Total	50,140,573.40
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## 19. Advance from customers

### (1) Lists of advance from customers

Item	Closing balance	Opening balance
Payment for goods	590,946,715.63	377,503,471.86
Total	590,946,715.63	377,503,471.86

## 20. Payroll payable

### (1) Lists of payroll payable

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	219,746,810.75	373,820,527.07	407,234,316.04	186,333,021.78
II. Post-employment benefit - defined contribution plans	451,710.53	45,744,769.01	45,667,563.87	528,915.67
III. Dismissal welfare	0.00	0.00	0.00	0.00
IV. Other welfare due within one year	0.00	0.00	0.00	0.00
Total	220,198,521.28	419,565,296.08	452,901,879.91	186,861,937.45

### (2) List of Short-term salary

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	177,114,565.35	280,057,772.04	320,947,375.69	136,224,961.70
2. Employee welfare	0.00	8,519,443.97	8,519,443.97	0.00
3. Social insurance	41,191.24	16,135,922.55	16,127,864.90	49,248.89
Including: Medical insurance premiums	31,975.35	13,809,638.96	13,801,766.19	39,848.12
Work-related injury insurance	4,420.00	1,465,827.69	1,465,721.49	4,526.20
Maternity insurance	4,795.89	860,455.90	860,377.22	4,874.57
4. Housing fund	12,228,186.84	57,219,821.88	57,148,059.23	12,299,949.49
5. Labor union budget and employee education budget	30,362,867.32	11,887,566.63	4,491,572.25	37,758,861.70
Total	219,746,810.75	373,820,527.07	407,234,316.04	186,333,021.78

## (3) List of drawing scheme

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits	425,679.81	42,821,390.47	42,746,978.16	500,092.12
2. Unemployment insurance	26,030.72	2,923,378.54	2,920,585.71	28,823.55
Total	451,710.53	45,744,769.01	45,667,563.87	528,915.67

**21. Taxes payable**

Item	Closing balance	Opening balance
VAT	59,416,973.36	103,775,137.73
Consumption tax	68,959,515.00	67,865,349.26
Business tax	454,429.62	1,265,824.75
Corporate income tax	160,981,669.16	267,763,285.42
Personal income tax	3,023,364.20	2,283,345.14
Urban maintenance and construction tax	4,170,725.98	6,287,946.00
Stamp tax	3,379,862.08	3,388,215.38
Educational surcharges	3,116,561.02	6,277,797.04
Other	10,982,871.91	9,772,622.91
Total	314,485,972.33	468,679,523.63

**22. Dividends payable**

Item	Closing balance	Opening balance
Dividends payable	100,720,000.00	0.00
Total	100,720,000.00	0.00

**23. Other accounts payable**

Other accounts payable listed by nature of the account

Item	Closing balance	Opening balance
Margin & pledge payment	316,979,829.31	272,037,012.38
Travel expense	8,687,950.48	1,372,502.75
Quality guarantee deposit	39,254,891.89	38,824,726.91

Item	Closing balance	Opening balance
Withholding personal housing fund on behalf	12,218,065.94	12,149,262.63
Other	77,403,874.18	44,484,959.07
Accrued expenses	117,818,360.16	87,704,041.68
<b>Total</b>	<b>572,362,971.96</b>	<b>456,572,505.42</b>

#### 24. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	40,839,961.86	500,000.00	2,297,827.75	39,042,134.11	Received assets related to government subsidies
<b>Total</b>	<b>40,839,961.86</b>	<b>500,000.00</b>	<b>2,297,827.75</b>	<b>39,042,134.11</b>	—

#### Items involved in government subsidies:

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Energy-saving and reform project of coal-fired industry boiler and glass furnace	624,750.00	0.00	76,500.00	0.00	548,250.00	Related to the assets
Bozhou city logistics center project	300,000.00	0.00	30,000.00	0.00	270,000.00	Related to the assets
Special account for prevention and cure of waste water directed by municipal finance	650,000.12	0.00	325,000.02	0.00	325,000.10	Related to the assets
Financial subsidy for energy-saving project	2,060,827.48	0.00	265,811.76	0.00	1,795,015.72	Related to the assets
Financial subsidy for technology innovation	2,552,816.98	0.00	267,110.76	0.00	2,285,706.22	Related to the assets
Discount on technology reform of deposit in budget directed by municipal	43,333.41	0.00	19,999.98	0.00	23,333.43	Related to the assets

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
finance						
Special fund to enterprise development directed by municipal finance	172,500.00	0.00	15,000.00	0.00	157,500.00	Related to the assets
Lot traceability system project	7,425,000.00	0.00	556,875.00	0.00	6,868,125.00	Related to the assets
Land refund	25,313,858.83	0.00	599,863.58	0.00	24,713,995.25	Related to the assets
Motor and boiler energy-saving reform project	962,500.04	0.00	68,749.98	0.00	893,750.06	Related to the assets
Automated storage hook and product quality online monitoring	734,375.00	0.00	46,875.00	0.00	687,500.00	Related to the assets
Technical reform of wine production system	0.00	500,000.00	26,041.67	0.00	473,958.33	Related to the assets
Total	40,839,961.86	500,000.00	2,297,827.75		39,042,134.11	

## 25. Share capital

Item	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
Total	503,600,000.00	0.00	0.00	0.00		0.00	503,600,000.00

## 26. Capital reserve

Item	Opening balance	Increase in the reporting period	Decreased in the reporting period	Closing balance
Capital premium	1,262,552,456.05	0.00	0.00	1,262,552,456.05
Other capital reserve	32,386,037.14	0.00	0.00	32,386,037.14
Total	1,294,938,493.19	0.00	0.00	1,294,938,493.19

**27. Other comprehensive income**

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
1. Other comprehensive income will be reclassified into income or loss in the future	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive	16,669,604.07	73,895,756.45	0.00	18,473,939.12	55,421,817.33	0.00	72,091,421.40



Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
Income reclassified into profit and loss in future							
Of which: gains or losses in fair value of available for sale financial	16,669,604.07	73,895,756.45	0.00	18,473,939.12	55,421,817.33	0.00	72,091,421.40

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
assets							
Total	16,669,604.07	73,895,756.45	0.00	18,473,939.12	55,421,817.33	0.00	72,091,421.40

## 28. Surplus reserves

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	256,902,260.27	0.00	0.00	256,902,260.27
Total	256,902,260.27	0.00	0.00	256,902,260.27

Note: According to the stipulations of Corporate Law and Constitution, The Company withdraw legal surplus reserves in line with 10% of the profit, the accumulative amount of legal surplus reserves was over 50% of the Company's registered capital can be no longer withdrawn

The Company, after withdraw the legal surplus reserves, can withdraw discretionary surplus reserve, been approved, discretionary surplus reserve can be used to make up the losses of the previous year or increase share equity

## 29. Undistributed profit

Item	Reporting period	Same period of last year
Balance at the end of the year of 2014(Before adjustment)	2,108,940,620.43	1,688,158,733.09
Total adjustment for the balance at the beginning of the year of 2015	0.00	0.00
Balance at the beginning of the year of 2015 (After adjustment)	2,108,940,620.43	1,688,158,733.09
Add: Current distributable net profits for owners of parent company	380,504,804.17	597,041,887.34
Less: Appropriation of statutory surplus reserves		0.00
Less: Appropriation of discretionary surplus reserve	0.00	0.00
Appropriation of normal risk provision	0.00	0.00
Ordinary shares dividend payables	100,720,000.00	176,260,000.00
Ordinary shares dividend capitalized to share capital	0.00	0.00
Undistributed profits as at the period-end	2,388,725,424.60	2,108,940,620.43

### 30. Operating Revenues and Operating Costs

Item	Reporting period		Same period of last year	
	Revenue	Cost	Revenue	Cost
Main operation	2,697,122,601.21	812,852,316.96	2,368,129,229.88	713,705,869.42
Other operation	15,920,227.71	14,726,210.63	22,029,719.88	20,377,490.89
Total	2,713,042,828.92	827,578,527.59	2,390,158,949.76	734,083,360.31

### 31. Business tax and surcharges

Item	Reporting period	Same period of last year
Consumption tax	324,369,895.65	270,563,928.74
Business tax	24,850,358.67	2,000,208.44
Urban maintenance and construction tax	41,930,864.50	52,280,838.07
Other	1,031,615.55	17,049.83
Total	392,182,734.37	324,862,025.08

Notes: Payment standard of each business tax and surtax please refer to annotations VII, Taxes.

### 32. Sales expenses

Item	Reporting period	Same period of last year
Employee compensations	69,426,393.62	22,574,597.53
Travel expenses	46,830,598.44	37,020,556.51

Item	Reporting period	Same period of last year
Advertisement fees	212,795,746.59	299,424,499.32
Transportation fees	12,475,756.29	11,279,389.20
Propaganda and promotion expenses	278,466,662.23	178,181,231.51
Sample wine	31,965,394.85	40,850,491.17
Labor costs	129,461,776.59	105,155,215.02
Other sales expenses	12,804,495.28	11,673,586.65
Total	794,226,823.89	706,159,566.91

### 33. Administrative expenses

Item	Reporting period	Same period of last year
Employee compensations	136,704,663.06	117,475,653.85
Office expenses	7,287,777.92	21,706,293.02
Taxes	4,326,514.49	6,175,133.35
Repairing fees	18,344,927.54	13,117,163.49
Depreciation expenses	23,808,699.83	11,327,357.46
Amortization of intangible assets	3,978,814.50	4,435,599.74
Pollution discharge fees	7,542,096.40	8,986,205.96
Material wastage	19,443,106.51	22,013,629.66
Travel expenses	840,055.23	6,733,316.85
Water and electricity fees	4,357,291.78	3,618,858.29
Scientific research funds	1,027,861.00	3,774,340.11
Others	10,264,962.38	19,762,230.13
Total	237,926,770.64	239,125,781.91

### 34. Financial expenses

Item	Reporting period	Same period of last year
Interests costs	6,685,540.26	0.00
Less: Interests incomes	15,350,708.99	33,131,195.49
Less: Interests capitalization amount	0.00	0.00
Exchange gains and losses	0.00	0.00

Item	Reporting period	Same period of last year
Bank charges	71,192.99	766,303.36
Total	-8,593,975.74	-32,364,892.13

### 35. Asset impairment loss

Item	Reporting period	Same period of last year
Bad debt losses	-32,522.34	-491,603.01
Loss on inventory valuation	3,743,459.22	0.00
Fixed assets impairment losses	0.00	0.00
Total	3,710,936.88	-491,603.01

### 36. Gains on the changes in the fair value

Source	Reporting period	Same period of last year
Financial assets measured at fair value and changes recorded into current profits or losses	40,432.58	7,270.00
Of which: income from change in fair value of derivative financial instruments	0.00	0.00
Total	40,432.58	7,270.00

### 37. Investment income

Item	Reporting period	Same period of last year
Investment income from financial assets measured at fair value and changes recorded into current profits or losses during holding period	0.00	0.00
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss	7,295,964.00	554,811.42
Investment income received from available for sale financial assets during holding period	286,508.40	45,000.00
Investment income from disposal of available for sale financial assets	30,715,700.54	54,052,301.38
Total	38,298,172.94	54,652,112.80

### 38. Non-Operating revenue

Item	Reporting period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	82,953.29	286,406.47	82,953.29
Including: Gains from disposal of fixed assets	82,953.29	286,406.47	82,953.29
Government subsidies (Details please refer to the following table: list of government subsidies)	3,021,627.75	2,215,047.54	3,021,627.75
Gains from penalties	3,129,276.74	6,408,989.21	3,129,276.74
Sale of waste	3,078,184.05	2,980,076.22	3,078,184.05
Accrued expenses non-payable	0.00	0.00	0.00
Others	672,544.68	967,603.62	672,544.68
Total	9,984,586.51	12,858,123.06	9,984,586.51

Of which, the list of government subsidies:

Item	Amount of reporting period	Amount of last period	Related to assets/ related to income
Subsidy income	723,800.00	590,000.00	Related to income
Deferred revenue amortization of government subsidies related to assets	2,297,827.75	1,625,047.54	Related to assets
Total	3,021,627.75	2,215,047.54	

### 39. Non-Operating expense

Item	Amount of reporting period	Amount of last period	Amount recorded into current non-recurring profit and loss
Loss on disposal of non-current assets	644,420.16	1,389,957.09	644,420.16
Including: Loss on disposal of fixed assets	644,420.16	1,389,957.09	644,420.16
Abandonment loss	0.00	0.00	0.00
Others	634,804.72	164,128.52	634,804.72
Total	1,279,224.88	1,554,085.61	1,279,224.88

**40. Income tax expense**

## (1) Lists of income tax expense

Item	Amount of reporting period	Amount of last period
Current income tax expense	132,167,550.18	126,819,032.61
Deferred income tax expense	382,624.09	122,900.75
Total	132,550,174.27	126,941,933.36

**41. Other comprehensive income**

Refer to the notes (27), VIII

**42. Supplementary information to cash flow statement**

## (1) Other cash received relevant to operating activities

Item	Amount of reporting period	Amount of last period
Security deposit	101,441,243.19	107,414,393.02
Government subsidiaries	723,800.00	590,000.00
Interest income	14,740,180.55	12,151,064.88
Others	22,014,300.47	17,855,555.91
Recover of the pledge of bank deposit	36,100,000.00	75,000,000.00
Total	175,019,524.21	213,011,013.81

## (2) Cash paid related to other operating activities

Item	Amount of reporting period	Amount of last period
Cash paid in selling expenses and administrative expenses	342,410,137.61	380,593,052.10
Fixed term deposits used to issue the pledge for the notes payable	30,100,000.00	50,500,000.00
Others	15,997,968.39	14,342,851.72
Total	388,508,106.00	445,435,903.82

## (3) Cash received from other related investing activities

Item	Amount of reporting period	Amount of last period
Received government subsidy related to assets	500,000.00	1,100,000.00
Total	500,000.00	1,100,000.00

### 43. Supplemental information for cash flow statement

#### (1) Supplemental information for cash flow statement

Item	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	380,504,804.17	357,806,197.58
Add: Provision for impairment of assets	3,710,936.88	-491,603.01
Add: Provision for impairment of assets	77,748,166.67	55,339,914.67
Depreciation of the investment real estate.	1,498,113.93	1,584,806.81
Amortization of intangible assets	4,578,678.08	4,435,599.74
Amortization of long-term deferred expense	21,329,995.57	11,814,975.26
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gains: negative)	285,606.26	1,389,957.09
Loss on retirement of fixed assets (gains: negative)	0.00	0.00
Loss on changes in fair value(gains: negative)	-40,432.58	-7,270.00
Financial cost (gains: negative)	0.00	0.00
Investment loss (gains: negative)	-38,298,172.94	-54,652,112.80
Decrease in deferred income tax assets (gains: negative)	382,624.09	122,900.75
Increase in deferred income tax liabilities (decrease: negative)	24,040,581.94	709,215.45
Decrease in inventory (gains: negative)	-20,672,611.87	-73,499,010.56
Decrease in accounts receivable from operating activities (gains: negative)	-289,286,240.30	-199,606,820.12
Increase in payables from operating activities (decrease: negative)	168,137,780.18	-181,159,803.30
Deferred revenue amortization	2,297,827.75	0.00
Net cash flows generated from operating activities	336,217,657.83	-76,213,052.44



Item	Reporting period	Same period of last year
II. Investing and financing activities that do not involving cash receipts and payment:		
Conversion of debt into capital	0.00	0.00
Convertible bond due within one year	0.00	0.00
Fixed assets financed by finance leases	0.00	0.00
III. Net increase in cash and cash equivalents		
Closing balance of cash	904,128,752.91	1,026,002,207.86
Less: Opening balance of cash	682,360,442.79	1,306,930,710.96
Add: Closing balance of cash equivalents	0.00	0.00
Less: Opening balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	221,768,310.12	-280,928,503.10

**(2) Cash and cash equivalents**

Item	Reporting period	Same period of last year
I. Cash	904,128,752.91	682,360,442.79
Including: Cash on hand	367,649.75	349,833.07
Bank deposit on demand	894,253,716.95	677,644,608.33
Other monetary funds on demand	9,507,386.21	4,366,001.39
II. Cash equivalent	0.00	0.00
Including: Bond investment due in three months	0.00	0.00
III. Closing balance of cash and cash equivalents	904,128,752.91	682,360,442.79

**44. The assets with the ownership or use right restricted**

Item	Closing book value	Restricted reason
Monetary capital	30,100,000.00	The pledge use for opening a bank acceptance bill
Notes receivable	220,924,000.00	The pledge use for opening a bank acceptance bill
Total	251,024,000.00	

## IX. Changes of merge scope

### 1. Other reasons for the changes in combination scope

There was no newly establishing subsidiary.

There was no cancellation of subsidiary.

## X. Equity in other entities

### 1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Bozhou Gujing Sales Co., Ltd	Bozhou, Anhui	Bozhou, Anhui	Business trading	100.00		Investment
Bozhou Gujing Transportation Co., Lt	Bozhou, Anhui	Bozhou, Anhui	Transportation	99.00	1.00	Investment
Anhui Longrui Glass Co., Ltd	Bozhou, Anhui	Bozhou, Anhui	Manufacture	99.00	1.00	Investment
Bozhou Gujing Waste Reclamation Co., Ltd	Bozhou, Anhui	Bozhou, Anhui	Waste cycled		100.00	Investment
Anhui Jinyunlai Culture & Media Co.,Ltd.	Hefei, Anhui	Hefei, Anhui	Ads marketing		100.00	Investment
Bozhou Gujing Packing Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Manufacture	100.00		Investment
Anhui Swisse Will Science & Technology Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Technology research	100.00		Investment
Anhui Subway Cordial Wine Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Manufacture	100.00		Investment
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Shanghai	Shanghai	Hotel management	100.00		Enterprise combination under same control
Bozhou Gujing Hotel Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Hotel operating	100.00		Enterprise combination under same control

Other notes: During the reporting period the Company's subsidiary Bozhou Gujing Glass Co., Ltd. was renamed Anhui Longrui Glass Co., Ltd

## **XI. Risk related to financial instruments**

The main financial instruments of the Company are equity investment, financial product, trust investment, account receivables and account payables, etc, the specific explanation of each financial instrument are in relevant item of Note VI. Risk related to these financial instruments and the risk management policies the Company adopted to reduce the risk is as follows: the management of the Company monitors and manages the risk exposure to ensure the aforesaid risk within the limit scope of control.

### **(I) Goals and policies of risk management**

The Goals of the Company is to maintain a proper balance between the risk and the income, reduce the negative influence of risk to the operation performance of the Company to a minimum, and maximize profits of shareholders and other equity investors, basing on the risk management goal, the Company basis policies are to recognize and analyze each risk the Company faced, establish proper risk bottom line and conduct risk management, timely and reliably supervise each risk, control the risks within the limit scope .

#### **1. Market risk**

##### **(1) Foreign exchange risk**

Foreign exchange risk is referred to the risk of loss from the change of exchange rate. The main operation of the Company is within the territory of China, mainly settled by RMB, only small amount of export business and the influence of the proportion in the total income is rather small; the exchange rate risk is very little.

##### **(2) Interest rate risk - cash flow fluctuation risk**

The operation capital of the Company is sufficient, there is no external borrowing in the Company; the interest rate risk is very little.

##### **(3) Other price risk**

What the Company held are classified as available financial assets and tradable financial assets measured at fair value on balance sheet date. Thus, the Company bears the risk change of securities market. The Company adopt variety of equity group to reduce the price risk in equity security investment.

#### **2. Credit risk**

On 30 Jun. 2015, the main credit risk exposure may lead to the financial losses of the Company mainly is the possibility of financial assets losses and the guarantee the Company born to one party of the contract from unfulfillment of obligations of the other party. Including:

Account amount of financial assets recognized in consolidate balance sheet, for financial instruments measured at fair value, the book value reflect its risk exposure, but not the largest risk

exposure, the largest risk exposure is change from the change of future fair value.

The Company only trade with the third party authorized with good credit and large scale. In line with the policies of the Company and the items of sale contracts, the Company gives priority to first payment shipment, only small amount of credit transactions and examines and verifies the credit of the client who trading with by credit way.

The liquidity capital of the Company is deposit in the bank with high credit rating, thus the credit risk of liquidity capital is lower.

### 3. Liquidity risk

When managing liquidity risk, the Company keep the opinion of the management that monitoring the cash and cash equivalents to meet the operation need of the Company, and reduce the influence of cash flow fluctuation.

## XII. The disclosure of the fair value

### 1. Closing fair value of assets and liabilities calculated by fair value

Item	Closing fair value			
	Fair value measurement	Fair value measurement	Fair value measurement	Total
	items at level 1	items at level 2	items at level 3	
I. Consistent fair value measurement				
(I) Financial assets measured by fair value and changes recorded into current profits and losses	414,875.36			414,875.36
1. Tradable financial assets	414,875.36			414,875.36
(1) Debt instrument investment	414,875.36			414,875.36
(II) Available for sale financial assets	234,362,590.00			234,362,590.00
(1) Equity instrument investment	234,362,590.00			234,362,590.00
Total assets consistently calculated by fair value	234,777,465.36			234,777,465.36

## 2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

The consistent fair value measurement items were the share public trade on Shanghai Stock Exchange or Shenzhen Stock Exchange, the market price recognition basis was the closing price of the share on balance sheet date.

### XIII. Related party and related Transaction

#### 1. Information related to parent company of the Company

Name of parent company	Registered place	Business scope	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Anhui Gujing Group Co., Ltd.	Anhui	Beverage, Construction materials, and plastic productions manufacture	353,380,000.00	53.80	53.80

Notes: The final control of the Company was People's Government of Bozhou, Anhui

#### 2. Information on subsidiaries of the Company

Details please refer to the annotation 1, X, Equity in subsidiaries.

#### 3. Information on other related parties

Name of other related parties	Relationship with the Company
Anhui Ruifuxiang Food Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruijing Restaurant Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruijing Trade Travel (Group) Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Hotel Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing Real Estates Group Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
East Ruijing Enterprise Investment Development Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Hengxin Pawn Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Ruineng Thermoelectricity Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller

Name of other related parties	Relationship with the Company
Holiday Inn Hefei	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruifuxiang High-protein Feed Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Gujing Hotel Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Ruixin Pawn Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Anhui Zhongxin Financial Leasing Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Anhui Huixin Financial Investment Group Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Anxin Microcredit Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Hotel Co., Ltd	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Huisheng Building Catering Company	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Junlai Hotel Management Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller
Bozhou Gujing Real Estates Development Co., Ltd.	Affiliated enterprise of controlling shareholder and actual controller

#### 4. List of related transactions

##### ① Goods purchased and service received

Name of company	Content of related transaction	Reporting period	Same period of last year
Anhui Ruifuxiang Food Co., Ltd	Purchase of materials	2,829,785.30	2,616,080.99
Anhui Ruifuxiang Food Co., Ltd	Purchase of goods	22,237.00	0.00
Bozhou Hotel Co., Ltd.	Rendering of services	279,740.90	51,409.51
Holiday Inn Hefei	Purchase of goods	2,227,030.00	1,673,540.00
Holiday Inn Hefei	Accepting food and accommodation services	42,366.92	0.00
Bozhou Huisheng Building Catering Company	Accepting food and accommodation services	1,326,279.00	1,931,896.00
Bozhou Gujing Junlai Hotel Management Co., Ltd.	Residential Services	134,834.00	0.00
Total		6,862,273.12	6,272,926.50

##### ② Sales of goods and rendering of service

Name of company	Content of related transaction	Reporting period	Same period of last year
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Name of company	Content of related transaction	Reporting period	Same period of last year
Anhui Hengxin Pawn Co., Ltd	Sales of white spirit	1,538.46	1,384.62
Anhui Gujing Group Co., Ltd.	Sales of small sized materials	40,047.82	12,803.86
Anhui Gujing Group Co., Ltd.	Providing Hotels and Restaurants	58,500.00	145,200.00
Bozhou Huisheng Building Catering Company	Sales of white spirit	135,213.67	2,190.00
Bozhou Hotel Co., Ltd.	Sales of white spirit	151,538.47	40,000.00
Anhui Ruijing Trade Travel (Group) Co., Ltd	Sales of white spirit	98,804.62	0.00
Anhui Ruijing Restaurant Management Co., Ltd.	Sales of white spirit	109,786.32	416,000.00
Anhui Ruifuxiang Food Co., Ltd	Sales of white spirit	145,784.61	71,230.76
Anhui Huixin Financial Investment Group Co., Ltd.	Sales of white spirit	21,079.23	0.00
Anhui Gujing Hotel Management Co., Ltd.	Sales of white spirit	448,880.33	0.00
Anhui Gujing Real Estates Group Co., Ltd.	Sales of white spirit	134,000.00	50,384.62
Anhui Gujing Real Estates Group Co., Ltd.	Providing catering service	2,380.00	0.00
Holiday Inn Hefei	Sales of white spirit	703,846.16	0.00
Holiday Inn Hefei	Sales of materials	29,443.06	0.00
Bozhou Gujing Real Estates Development Co., Ltd.	Sales of white spirit	198,000.00	0.00
Haozhou Ruineng Thermoelectricity Co., Ltd	Sales of white spirit	45,780.77	28,461.54
Anhui Ruifuxiang High-protein Feed Co., Ltd.	Sales of white spirit	8,092.31	0.00
Anhui Ruifuxiang High-protein Feed Co., Ltd.	Sales of materials	33,181.21	0.00
Total		2,365,897.04	767,655.40

## (2) Related leasing

The Group was the lessee:

Name of lessor	Type	The lease income confirmed in the report period	The lease income confirmed in lasst period
Anhui Gujing Group Co., Ltd.	Buildings	900,000.00	900,000.00

Anhui Gujing Group Co., Ltd.	Buildings	250,000.00	250,000.00
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The Group was the lessor:

Name of lessee.	Type	Income confirmed in the reporting period	Income confirmed in last period
Anhui Ruijing Restaurant Management Co., Ltd.	Buildings	28,722.22	0.00

## 5. Receivables and payables from related parties

### (1) Receivables

N/A

### (2) Payables

Item	Closing balance	Opening balance
Accounts receivable in advance:		
Anhui Ruijing Restaurant Management Co., Ltd.	0.00	108,000.00
Ruijing Trade (Group) Co., Ltd, Shanghai branch company	60,715.99	0.00
Bozhou Gujing Real Estates Development Co., Ltd.	203,670.00	0.00
Anhui Gujing Real Estates Group Co., Ltd.	100,000.00	0.00
Total	364,385.99	108,000.00
Other payables:		
Bozhou Huisheng Building Catering Company	10,000.00	0.00
Anhui Ruifuxiang Food Co., Ltd	2,000.00	2,000.00
Holiday Inn Hefei	24,000.00	0.00
Anhui Gujing Hotel Management Co., Ltd.	3,600.00	0.00
Anhui Ruijing Restaurant Management Co., Ltd.	1,200.00	0.00
Bozhou Huisheng Building Catering Company	9,000.00	0.00
Total	49,800.00	2,000.00



## XIV. Commitments and contingency

### 1. Significant Commitment

#### Operating lease commitments

As of the balance sheet date, the irrevocable operating lease contracts that the Company signed externally were as followed:

Item	Closing balance	Opening balance
The lowest payment of irrevocable operating lease:		
The first year after balance sheet date	2,300,000.00	2,300,000.00
The second year after balance sheet date	2,300,000.00	2,300,000.00
The third year after balance sheet date	2,300,000.00	2,300,000.00
Subsequent years	27,408,333.33	28,558,333.33
Total	34,308,333.33	35,458,333.33

### 2. Contingencies

Up to 30 Jun. 2015, there is no contingency event that needs to be disclosed.

## XV. Contingencies

Up to 30 Jun. 2015, there is no contingency event that needs to be disclosed.

## XVI. Notes of main items in the financial statements of the Company

### 1. Accounts receivable

#### (1) Accounts receivable classified by category

Category	Closing balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	1,879,592.91	100	592,647.12	31.53	1,286,945.79

Accounts receivable with insignificant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
Total	1,879,592.91	100.00	592,647.12	31.53	1,286,945.79

(Continued)

Category	Opening balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	2,199,491.74	100.00	590,662.10	26.85	1,608,829.64
Accounts receivable with insignificant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
Total	2,199,491.74	100.00	590,662.10	26.85	1,608,829.64

1) In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year			
Including: within 6 months	171,361.87	1,713.62	1.00
7-12 months	63,250.00	3162.50	5.00
Subtotal of within 1 year	234,611.87	4,876.12	2.08
1-2 years	0.00	0.00	0.00
2-3 years	0.00	0.00	0.00
Over 3 years	587,771.00	587,771.00	100.00
Total	822,382.87	592,647.12	72.06

2) In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

Name of the group	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)

Name of the group	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Related party group within combination scope	1,057,210.04	0.00	0.00
Total	1,057,210.04	0.00	0.00

## (2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB 1,985.02 in reporting period

## (3) Particulars of the actual verification of accounts receivable during the reporting period

There was no actual verification of accounts receivable during the reporting period

## (4) Top five of account receivable of closing balance collected by arrears party

The total balance of account receivable of top five was RMB 1,879,592.91, 100.00% of the closing balance of account receivable, the relevant total closing balance of bad debt provision was RMB 592,647.12

**2. Other account receivable**

## (1) Other account receivable classified by category

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with significant single amount individually withdraw bad debt provision	50,727,440.55	29.33	50,727,440.55	100.00	0.00
Other accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	122,223,926.34	70.67	257,688.93	0.21	121,966,237.41
Other accounts receivable with insignificant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
Total	172,951,366.89	100.00	50,985,129.48	29.48	121,966,237.41

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with significant single amount individually withdraw bad debt provision	50,727,440.55	28.86	50,727,440.55	100.00	0.00
Other accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	125,054,444.71	71.14	228,135.16	0.18	124,826,309.55
Other accounts receivable with insignificant single amount individually withdraw bad debt provision	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>175,781,885.26</b>	<b>100.00</b>	<b>50,955,575.71</b>	<b>28.99</b>	<b>124,826,309.55</b>

1) Other accounts receivable with significant single amount individually withdraw bad debt provision

Other account receivables	Closing balance			
	Other account receivable	Provision for bad debts	Proportion (%)	Reason
Jianqiao Securities	11,840,500.00	11,840,500.00	100.00	The enterprise got in the bankruptcy liquidation process
Hengxin Securities	29,502,438.53	29,502,438.53	100.00	The enterprise got in the bankruptcy liquidation process
Minfa Securities	9,384,502.02	9,384,502.02	100.00	The enterprise got in the bankruptcy liquidation process
<b>Total</b>	<b>50,727,440.55</b>	<b>50,727,440.55</b>	<b>—</b>	<b>—</b>

2) In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Other account receivable	Provision for bad debts	Proportion (%)
Within 1 year			

Aging	Closing balance		
	Other account receivable	Provision for bad debts	Proportion (%)
Including: within 6 months	3,314,599.33	33,145.99	1.00
7-12 months	588,670.00	29,433.50	5.00
Subtotal of within 1 year	3,903,269.33	62,579.49	1.60
1-2 years	211,536.27	21,153.63	10.00
2-3 years	127,672.70	63,836.35	50.00
Over 3 years	110,119.46	110,119.46	100.00
Total	4,352,597.76	257,688.93	5.92

**In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:**

Name of the group	Closing balance		
	Other account receivable	Provision for bad debts	Proportion (%)
Related party group within combination scope	117,871,328.58	0.00	0.00
Total	117,871,328.58	0.00	0.00

**(2) Bad debt provision withdrawal, reversed or recovered in the report period**

The amount of bad debt provision was RMB 29,553.77 in reporting period

**(3) Particulars of the actual verification of accounts receivable during the reporting period**

There was no actual verification of accounts receivable during the reporting period

**(4) Other account receivable classified by account nature**

Nature	Closing book value	Opening book value
Intercourse funds between entities within combination scope	117,871,328.58	121,205,957.03
Investment securities	50,727,440.55	50,727,440.55
Margin and pledge cash	1,644,064.25	1,670,464.25
Travel expense	702,265.56	284,256.89
Rent, water, electricity & gas expense	850,866.10	903,964.37
Other	1,155,401.85	989,802.17

Total	172,951,366.89	175,781,885.26
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## (5) The top five other account receivable classified by debtor at period end

Entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
First	Intercourse funds between entities within combination scope	117,225,000.00	0.5 years	67.78	0.00
Second	Investment securities	29,502,438.53	Over 3 years	17.06	29,502,438.53
Third	Investment securities	11,840,500.00	Over 3 years	6.85	11,840,500.00
Forth	Investment securities	9,384,502.02	Over 3 years	5.43	9,384,502.02
Fifth	Contract money	500,000.00	0-6 months	0.29	5,000.00
Total	—	168,452,440.55	—	97.40	50,732,440.55

**3. Long-term equity investment**

## (1) Category of long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	bad debt provision	Book value	Book balance	bad debt provision	Book value
Investment to the subsidiary	338,089,408.32		338,089,408.32	338,089,408.32		338,089,408.32
Total	338,089,408.32		338,089,408.32	338,089,408.32		338,089,408.32

## (2) Investment to the subsidiary

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Bozhou Gujing Sales Co., Ltd.	84,864,497.89	0.00	0.00	84,864,497.89	0.00	0.00
Anhui Longrui Glass Co., Ltd	85,793,666.00	0.00	0.00	85,793,666.00	0.00	0.00
Shanghai Gujing Hotel Management Co., Ltd.	49,906,854.63	0.00	0.00	49,906,854.63	0.00	0.00
Bozhou Gujing Inn Co., Ltd.	648,646.80	0.00	0.00	648,646.80	0.00	0.00
Gujing Motor Transportation Co., Ltd.	6,875,743.00	0.00	0.00	6,875,743.00	0.00	0.00
Bozhou Gujing Packaging Co., Ltd.	30,000,000.00	0.00	0.00	30,000,000.00	0.00	0.00
Anhui Swisse Will Science & Technology Co., Ltd.	50,000,000.00	0.00	0.00	50,000,000.00	0.00	0.00
Anhui Subway Cordial Wine Co., Ltd.	30,000,000.00	0.00	0.00	30,000,000.00	0.00	0.00
Total	338,089,408.32	0.00	0.00	338,089,408.32	0.00	0.00

#### 4. Revenues and operating costs

Item	Reporting period		Same period of last year	
	Revenues	Operating costs	Revenues	Operating costs
Main operations	1,507,439,267.54	833,639,429.06	1,295,349,946.72	733,263,234.94
Other operations	18,722,010.13	15,769,485.94	25,032,105.20	15,949,274.46
Total	1,526,161,277.67	849,408,915.00	1,320,382,051.92	749,212,509.4

## 5. Investment income

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method	0.00	0.00
Investment income from disposal of financial assets measured at fair value and changes recorded into current profits or losses	6,695,065.39	108,909.72
Investment income from available for sale financial assets during holding period	286,508.40	45,000.00
Investment income from disposal of available for sale financial assets	30,715,700.54	54,052,301.38
Total	37,697,274.33	54,206,211.10

## XVII. Supplementary materials

### 1. Items and amounts of extraordinary gains and losses

Item	Amount	Note
Loss and gains on disposal of non-current assets	-561,466.87	
Governmental subsidy included in the current profits and losses(is closely related with the business event, except for the governmental subsidy that according to the national unity standard quota or the quantitative regal assets)	3,021,627.75	
In addition to the valid hedging activity associated with the normal operation of the Company, the changes in fair value through gains or losses which arising from the holding trading financial assets and the trading financial liabilities as well as the investment income that earning from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	7,622,904.98	
Income and expenses of the other operation except for the mentioned above	6,245,200.75	
Subtotal	16,328,266.61	
The effect of income tax	4,082,066.65	
The effect of minority interest (after tax)	0.00	
Total	12,246,199.96	

The reorganization of the non-recurring gains and losses of the Group was executed according to rules of the “Public Offering of



Securities of the Company Disclosure Explanatory Notice No. 1 - - Non-recurring Items” (SFC Announcement [2008] No.43).

## 2. Return on equity (ROE) and earnings per share (EPS)

Profit as of reporting period	Weighted average ROE (%)	EPS(Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	8.75	0.76	0.76
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	8.47	0.73	0.73

## **Section X. Documents Available for Reference**

- I. Financial statements signed and sealed by persons in charge of the Company, principal of accounting work, and principal of accounting institution (manager of finance department);
- II. In the reporting period, all originals of the Company's documents and public notices have been publicly disclosed on China Securities Journal, Ta Kung Pao.