YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2019 TO 31 DECEMBER 2019
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2001809

All Shareholders of Yantai Changyu Pioneer Wine Company Limited:

Opinion

We have audited the accompanying financial statements of Yantai Changyu Pioneer Wine Company Limited ("Yantai Changyu"), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2019, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders' equity and company statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and financial position of Yantai Changyu as at 31 December 2019, and of its consolidated financial performance and company financial performance and its consolidated cash flows and company cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Yantai Changyu in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Recognition of Sales Revenue from Distributors</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 35.</td></tr>
<tr><td>Key Audit Matters</td><td>How the Matter was Addressed in Our Audit</td></tr>
<tr><td>The principal activities of Yantai Changyu and its subsidiaries (hereinafter referred to as "Yantai Changyu Group") include manufacture and sales of wine, brandy and sparkling wine.

The revenue of Yantai Changyu Group is mainly derived from sales of sidtributors. All distributor transaction terms adopt the unified transaction terms formulated by Yantai Changyu Group.

Sales revenue from distributors is recognised when Yantai Changyu Group transfers the major risks and rewards of product ownership to the distributors, and these transfers are completed when the goods are delivered to distributors and signed for acceptance.

As revenue is one of the key performance indicators of Yantai Changyu Group, there is an inherent risk that the management will manipulate revenue in order to achieve specific performance objectives or expectations. Therefore, we recognise sales revenue from distributors as a key audit matter.</td><td>Our audit procedures to evaluate revenue recognition of sales revenue from distributors included the following:

• Understand and evaluate the Management's design and operation effectiveness of key internal controls related to distributor sales revenue recognition;

• Selecting samples, review sales contracts Yantai Changyu Group signed with distributors in order to examine whether the Group has adopted the unified transaction terms, and evaluate whether the accounting policy of revenue recognition meets the requirements of the Accounting Standards for Business Enterprises;

• On a sampling basis, reconcile the revenue to relevant supporting files such as relevant orders and signed delivery notes, etc. to evaluate whether revenue is recognised in accordance with the accounting policy of Yantai Changyu Group;</td></tr>
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AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Key Audit Matters (continued)

Recognition of Sales Revenue from Distributors (continued)	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 35.	
The Key Audit Matters	**How the matter was addressed in our audit**
	• On a sampling basis, reconcile the sales transaction before and after balance sheet date to relevant supporting files such as relevant orders, signed delivery notes, etc. to evaluate whether revenue is recognised in appropriate accounting period; • Selecting samples, perform confirmation procedures to the balances of current accounts on balance sheet date and the amount of sales transaction for the year; • Check whether significant sales returns exist in sales record after the balance sheet date and check relevant supporting files in order to evaluate whether relevant revenue is recorded in the appropriate accounting period; • Select revenue accounting entries that meet specific risk criteria and check related supporting documents.

AUDITOR’S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2019 annual report, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Yantai Changyu’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Yantai Changyu or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Yantai Changyu’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Auditor's Responsibilities for the Audit of the Financial Statement (continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yantai Changyu's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yantai Changyu to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express our audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2001809

Auditor's Responsibilities for the Audit of the Financial Statement (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

(Stamp)

Certified Public Accountants Registered in the People's Republic of China

Wang Ting (Engagement Partner)
(Signature and stamp)

Beijing, China

Chai Jing
(Signature and stamp)

Date:22/04/2020

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
Assets			
Current assets			
Cash at bank and on hand	V. 1	1,565,783,980	1,475,700,477
Bills receivable	V. 2	-	288,667,988
Accounts receivable	V. 3	266,218,153	242,153,083
Receivables under financing	V. 4	316,470,229	-
Prepayments	V. 5	67,707,537	4,219,949
Other receivables	V. 6	24,246,812	22,636,086
Inventories	V. 7	2,872,410,407	2,724,591,457
Other current assets	V. 8	267,424,938	258,676,396
Total current assets		5,380,262,056	5,016,645,436
Non-current assets			
Available-for-sale financial assets		-	467,251
Long-term equity investments	V. 9	43,981,130	-
Investment properties	V. 10	29,714,586	31,572,489
Fixed assets	V. 11	5,894,068,898	5,749,731,667
Construction in progress	V. 12	567,478,833	759,296,591
Bearer biological assets	V. 13	202,425,286	209,266,373
Intangible assets	V. 14	651,946,355	655,473,459
Goodwill	V. 15	141,859,193	165,199,111
Long-term deferred expenses	V. 16	277,595,408	244,640,416
Deferred tax assets	V. 17	264,926,503	285,436,259
Other non-current assets	V. 18	193,674,320	-
Total non-current assets		8,267,670,512	8,101,083,616
Total assets		13,647,932,568	13,117,729,052

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V. 19	754,313,744	688,002,410
Accounts payable	V. 20	570,252,612	713,572,881
Advance payments received	V. 21	120,609,499	226,075,244
Employee benefits payable	V. 22	234,459,116	212,304,217
Taxes payable	V. 23	375,169,971	128,912,790
Other payables	V. 24	450,532,485	608,479,890
Non-current liabilities due within one year	V. 25	150,826,221	152,940,788
Total current liabilities		2,656,163,648	2,730,288,220
Non-current liabilities			
Long-term loans	V. 26	128,892,501	156,480,662
Long-term payables	V. 27	191,000,000	225,000,000
Deferred income	V. 28	70,701,288	86,227,293
Deferred tax liabilities	V. 17	14,691,424	22,010,647
Other non-current liabilities	V. 29	7,645,777	7,234,853
Total non-current liabilities		412,930,990	496,953,455
Total liabilities		3,069,094,638	3,227,241,675

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V. 30	685,464,000	685,464,000
Capital reserve	V. 31	565,050,422	565,955,441
Other comprehensive income	V. 32	(4,235,583)	2,965,377
Surplus reserve	V. 33	342,732,000	342,732,000
Retained earnings	V. 34	8,719,899,359	8,008,982,547
Total equity attributable to shareholders of the Company		10,308,910,198	9,606,099,365
Non-controlling interests		269,927,732	284,388,012
Total owners' equity		10,578,837,930	9,890,487,377
Total liabilities and shareholders' equity		13,647,932,568	13,117,729,052

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
Assets			
Current assets			
Cash at bank and on hand		710,505,269	624,588,809
Bills receivable		-	39,885,254
Accounts receivable	XV.1	1,988,326	1,447,973
Receivables under financing	XV.2	41,679,635	-
Prepayments		776,539	227
Other receivables	XV.3	586,424,958	1,025,643,356
Inventories		434,007,808	385,154,740
Other current assets		39,130,466	24,704,844
Total current assets		1,814,513,001	2,101,425,203
Non-current assets			
Long-term equity investments	XV.4	7,432,422,621	7,420,803,069
Investment properties		29,714,586	31,572,489
Fixed assets		261,137,072	265,311,274
Construction in progress		-	6,311,701
Bearer biological assets		121,414,096	125,002,793
Intangible assets		64,864,913	67,244,066
Deferred tax assets		16,255,870	24,194,967
Other non-current assets		1,427,700,000	972,700,000
Total non-current assets		9,353,509,158	8,913,140,359
Total assets		11,168,022,159	11,014,565,562

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		150,000,000	150,000,000
Accounts payable		63,655,240	132,704,304
Employee benefits payable		70,445,847	72,345,179
Taxes payable		6,052,456	13,111,431
Other payables		660,149,563	607,974,519
Total current liabilities		950,303,106	976,135,433
Non-current liabilities			
Deferred income		9,176,315	12,343,972
Other non-current liabilities		3,146,707	2,710,575
Total non-current liabilities		12,323,022	15,054,547
Total liabilities		962,626,128	991,189,980

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		685,464,000	685,464,000
Capital reserve		557,222,454	557,222,454
Surplus reserve		342,732,000	342,732,000
Retained earnings		8,619,977,577	8,437,957,128
Total owners' equity		10,205,396,031	10,023,375,582
Total liabilities and shareholders' equity		11,168,022,159	11,014,565,562

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated Income statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
I. Operating income	V. 35	5,031,011,489	5,142,244,740
Less: Operating cost	V. 35	1,887,495,991	1,901,611,507
Taxes and surcharges	V. 36	268,462,378	276,491,674
Selling and distribution expenses	V. 37	1,053,232,024	1,274,599,146
General and administrative expenses	V. 38	311,904,656	343,580,651
Research and development expenses		6,041,116	4,784,118
Financial expenses	V. 39	35,290,702	35,945,302
Including: Interest expenses		41,570,794	46,354,902
Interest income		12,327,441	12,086,007
Add: Other income	V. 40	77,337,581	87,281,434
Investment income	V. 41	5,112,733	-
Including: Losses from investment in joint ventures		(1,120,928)	-
Credit losses	V. 42	(7,304,777)	-
Impairment (losses) / reversal	V. 43	(20,552,916)	912,166
Gains from disposal of assets	V. 44	39,015	11,368,355

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated Income statement
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

		Note	2019	2018
II.	Operating profit		1,523,216,258	1,404,794,297
	Add: Non-operating income	V. 45	10,921,748	7,353,309
	Less: Non-operating expenses	V. 45	3,623,269	3,535,908
III.	Total profit		1,530,514,737	1,408,611,698
	Less: Income tax expenses	V. 46	400,806,109	367,127,522
IV.	Net profit		1,129,708,628	1,041,484,176
	(1) Net profit classified by continuity of operations:			
	1. Net profit from continuing operations		1,129,708,628	1,041,484,176
	2. Net profit from discontinued operations		-	-
	(2) Net profit classified by ownership (“-” for net loss):			
	1. Net profit attributable to owners of the company		1,129,735,749	1,042,632,929
	2. Non-controlling losses		(27,121)	(1,148,753)
V.	Other comprehensive income, net of tax		(8,542,792)	(376,524)
	(1) Other comprehensive income (net of tax) attributable to shareholders of the Company			
	Translation differences arising from translation of foreign currency financial statements		(7,200,960)	(143,863)
	(2) Other comprehensive income (net of tax) attributable to non-controlling interests		(1,341,832)	(232,661)

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated Income statement
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
VI. Total comprehensive income for the year		1,121,165,836	1,041,107,652
(1) Attributable to shareholders of the company		1,122,534,789	1,042,489,066
(2) Attributable to non-controlling interests		(1,368,953)	(1,381,414)
VII. Earnings per share:			
(1) Basic earnings per share	V. 47	1.65	1.52
(2) Diluted earnings per share	V. 47	1.65	1.52

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company income statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
I. Operating income	XV.5	740,856,362	876,447,070
Less: Operating cost	XV.5	655,504,063	774,487,031
Taxes and surcharges		25,045,041	38,346,761
General and administrative expenses		86,481,192	90,505,208
Research and development expenses		815,233	887,355
Net financial income		(4,798,485)	(20,292,737)
Including: Interest expenses		497,277	16,075,353
Interest income		5,843,698	41,821,372
Add: Other income		3,953,002	4,237,655
Investment income	XV.6	621,620,723	964,128,659
Credit impairment losses		(601,610)	-
Gains from disposal of assets		22,297	12,411,962
II. Operating profit		602,803,730	973,291,728
Add: Non-operating income		1,840,062	1,483,478
Less: Non-operating expenses		1,118,124	593,694

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Income statement of the company
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
III. Total profit		603,525,668	974,181,512
Less: Income tax expenses		10,226,819	4,592,939
IV. Net profit		593,298,849	969,588,573
(i) Net profit from continuing operations		593,298,849	969,588,573
(ii) Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income for the year		593,298,849	969,588,573

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		4,647,970,683	4,950,603,207
Refund of taxes and surcharges		40,741,286	57,056,690
Proceeds from other operating activities	V. 48(1)	93,744,521	72,703,872
Sub-total of cash inflows		4,782,456,490	5,080,363,769
Payment for goods and services		1,338,542,601	1,383,945,233
Payment to and for employees		576,928,850	544,742,974
Payment of various taxes		1,115,582,679	1,111,980,499
Payment for other operating activities	V. 48(2)	913,564,336	1,063,716,317
Sub-total of cash outflows		3,944,618,466	4,104,385,023
Net cash flows from operating activities	V. 49(1)	837,838,024	975,978,746
II. Cash flows from investing activities:			
Proceeds from disposal of investments		234,722,614	400,000,000
Investment returns received		1,809,786	3,445,895
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		6,334,375	19,967,431
Sub-total of cash inflows		242,866,775	423,413,326
Payment for acquisition of fixed assets, intangible assets and other long-term assets		281,005,768	347,384,820
Payment for acquisition of investments		169,618,600	478,042,400
Net cash paid for the acquisition of subsidiaries and other business units		404,844	105,834,655
Sub-total of cash outflows		451,029,212	931,261,875
Net cash flows from investing activities		(208,162,437)	(507,848,549)

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
III. Cash flows from financing activities:			
Proceeds from investors		-	2,050,000
Including: Cash received from minority shareholders of subsidiaries		-	2,050,000
Proceeds from borrowings		942,134,032	1,049,815,411
Proceeds from other financing activities	V. 48(3)	-	62,468,259
Sub-total of cash inflows		942,134,032	1,114,333,670
Repayments of borrowings		939,525,426	1,103,189,409
Payment for dividends, profit distributions or interest		462,455,473	397,351,813
Payment for other financing activities	V. 48(4)	11,619,552	46,100,000
Sub-total of cash outflows		1,413,600,451	1,546,641,222
Net cash flows from financing activities		(471,466,419)	(432,307,552)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		703,173	(9,851,585)
V. Net increase in cash and cash equivalents	V. 49(1)	158,912,341	25,971,060
Add: Cash and cash equivalents at the beginning of the year		1,206,860,334	1,180,889,274
VI. Cash and cash equivalents at the end of the year	V. 49(2)	1,365,772,675	1,206,860,334

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019	2018
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		737,920,018	817,341,175
Proceeds from other operating activities		211,049,689	177,786,322
Sub-total of cash inflows		948,969,707	995,127,497
Payment for goods and services		710,601,952	608,241,452
Payment to and for employees		91,738,062	107,256,441
Payment of various taxes		48,817,363	62,066,449
Payment for other operating activities		28,434,079	74,357,324
Sub-total of cash outflows		879,591,456	851,921,666
Net cash flows from operating activities		69,378,251	143,205,831
II. Cash flows from investing activities:			
Proceeds from disposal of investments		131,133,236	370,000,000
Investment returns received		922,250,025	874,520,633
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,354,733	11,212,195
Proceeds from borrowings to subsidiaries		8,000,000	-
Sub-total of cash inflows		1,062,737,994	1,255,732,828
Payment for acquisition of fixed assets, intangible assets and other long-term assets		21,417,387	28,842,911
Payment for acquisition of investments		138,566,890	410,000,000
Net cash paid for the acquisition of subsidiaries and other business units		-	107,194,420
Cash paid to subsidiaries		463,000,000	-
Sub-total of cash outflows		622,984,277	546,037,331
Net cash flows from investing activities		439,753,717	709,695,497

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	2019	2018
III. Cash flows from financing activities:			
Proceeds from borrowings		150,000,000	200,000,000
Sub-total of cash inflows		150,000,000	200,000,000
Repayments of borrowings		150,000,000	650,000,000
Payment for dividends or interest		418,400,308	364,085,312
Sub-total of cash outflows		568,400,308	1,014,085,312
Net cash flows from financing activities		(418,400,308)	(814,085,312)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net increase in cash and cash equivalents		90,731,660	38,816,016
Add: Cash and cash equivalents at the beginning of the year		532,384,882	493,568,866
VI. Cash and cash equivalents at the end of the year		623,116,542	532,384,882

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company						Non-controlling interests	Total owners' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Balance at the beginning of the year		685,464,000	565,955,441	2,965,377	342,732,000	8,008,982,547	9,606,099,365	284,388,012	9,890,487,377
Add: Changes in accounting policies	III. 32	-	-	-	-	(7,540,537)	(7,540,537)	-	(7,540,537)
Adjusted balance at the beginning of the year		685,464,000	565,955,441	2,965,377	342,732,000	8,001,442,010	9,598,558,828	284,388,012	9,882,946,840
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(7,200,960)	-	1,129,735,749	1,122,534,789	(1,368,953)	1,121,165,836
(2) Contribution by owners									
Acquisitions of non-controlling interests		-	(905,019)	-	-	-	(905,019)	(10,714,533)	(11,619,552)
(3) Appropriation of profits	V. 34								
Distributions to shareholders		-	-	-	-	(411,278,400)	(411,278,400)	(2,376,794)	(413,655,194)
III. Balance at the end of the year		685,464,000	565,050,422	(4,235,583)	342,732,000	8,719,899,359	10,308,910,198	269,927,732	10,578,837,930

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Balance at the beginning of the year		685,464,000	565,955,441	3,109,240	342,732,000	7,309,081,618	8,906,342,299	271,636,379	9,177,978,678
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(143,863)	-	1,042,632,929	1,042,489,066	(1,381,414)	1,041,107,652
(2) Shareholders' contributions and decrease of capital									
Acquired as subsidiaries		-	-	-	-	-	-	17,532,823	17,532,823
(3) Appropriation of profits	V. 34								
Distributions to shareholders		-	-	-	-	(342,732,000)	(342,732,000)	(3,399,776)	(346,131,776)
III. Balance at the end of the year		685,464,000	565,955,441	2,965,377	342,732,000	8,008,982,547	9,606,099,365	284,388,012	9,890,487,377

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company statement of changes in shareholders' equity
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I、 Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
Add: Changes in accounting policies	III. 32	-	-	-	-	-
Adjusted balance at the beginning of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582
II、 Changes in equity for the year						
1. Total comprehensive income		-	-	-	593,298,849	593,298,849
2. Appropriation of profits						
Distributions to shareholders		-	-	-	(411,278,400)	(411,278,400)
III、 Balance at the end of the year		685,464,000	557,222,454	342,732,000	8,619,977,577	10,205,396,031

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company statement of changes in shareholders' equity
for the year ended 31 December 2018 (continued)
(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
IV、 Balance at the beginning of the year		685,464,000	557,222,454	342,732,000	7,811,100,555	9,396,519,009
V、 Changes in equity for the year						
1. Total comprehensive income		-	-	-	969,588,573	969,588,573
2. Appropriation of profits						
Distributions to shareholders		-	-	-	(342,732,000)	(342,732,000)
VI、 Balance at the end of the year		685,464,000	557,222,454	342,732,000	8,437,957,128	10,023,375,582

These financial statements were approved by the Board of Directors of the Company on 22 April 2020.

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

The notes on pages 20 to 122 form part of these financial statements.

I. Company status

Yantai Changyu Pioneer Wine Co., Ltd. (the "Company” or the “Joint Stock Company”) was incorporated as a joint stock limited company in accordance with the Company Law of the People's Republic of China (the "PRC") in a reorganisation carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group"), in which Changyu Group Company injected certain assets and liabilities in relation to the brandy, wine, and sparkling wine production and sales businesses to the Company. The Company and its subsidiaries (the "Group") are principally engaged in the production and sales of wine, brandy, sparkling wine, grape growing and acquisition, as well as travel resource development, etc. Registration place of the Company is Yantai, Shandong. Headquarter of the Company is located at No. 56 Da Ma Lu, Zhifu District, Yantai, Shandong, PRC.

As at 31 December 2019 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note VI. 30 in detail.

The holding company of the Group is Changyu Group Company, which is jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

The financial statements have been authorised by the board of directors on 22 April 2020. According to the Company's articles of association, the financial statements will be reviewed by shareholders on the shareholder's meeting.

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

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

Since 1 January 2019, the Company has adopted new financial instrument standards revised by MOF in 2017, including CAS 22 — Recognition and Measurement of Financial Instruments (See Note III. 32(1)).

The Group has not adopted CAS No.14 — Revenue and CAS No. 22 — Lease revised in 2017 and 2018 respectively.

III. Significant accounting policies and accounting estimates

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realisation of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is 12 months.

4 Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. Overseas subsidiaries of the Company adopt Euro, Chilean Peso and Australian Dollar as their functional currencies on the basis of the primary economic environment in which they operate. The Company adopts RMB to prepare its financial statements.

5 Accounting treatments for business combinations involving entities under common control and not under common control

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.18). If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.11(2)(b)). If equity interests of the acquiree held before acquisition-date were equity instrument investments measured at fair value through other comprehensive income, other comprehensive income recognised shall be moved to retained earnings on acquisition-date.

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

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

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity investment is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III. 15)). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses in the income statement are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.11), receivables, payables, loans and borrowings and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivable containing no significant financing component are measured initially at transaction prices determined by the accounting policies set out in Note III.22.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI

  These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost by the Group.

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

  These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts；
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group’s contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or；
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- financial investments at fair value through other comprehensive income

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

For accounts receivable, loss allowance always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

For assets other than accounts receivable that meet one of the following conditions, loss allowance are measured at an amount equal to 12-month ECLs. For all other financial instruments, the Group recognises a loss allowance equal to lifetime ECLs:

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

10 Inventories

(1) Classification and cost

Inventories include raw materials, work in progress and reusable materials. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Agricultural products harvested are reported in accordance with the CAS No.1 - Inventories.

(2) Measurement method of cost of inventories

Cost of inventories is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortised when they are used. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for impairment, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a perpetual inventory system.

11 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method unless the investment is classified as held for sale (See Note III. 27). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.20.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investments in joint ventures

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.11(3)) and rights to the net assets of the arrangement.

A long-term equity investment in a joint venture is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.27).

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.20.

(3) Criteria for determining the existence of joint control over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights, unless the investment property is classified as held for sale (see Note III.27). For the impairment of the investment properties, refer to Note III.20.

Category	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	20-40 years	0 - 5%	2.4%-5.0%

13 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, for rental or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.14.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.27).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	20-40 years	0 - 5%	2.4%-5.0%
Machinery equipment	5-30 years	0 - 5%	3.2%-20.0%
Motor vehicles	4-12 years	0 - 5%	7.9%-25.0%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.20.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20).

15 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, and construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition and construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

- To the extent that the Group borrows funds generally and uses them for the acquisition and construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs should cease when the qualifying asset being constructed or produced has reached its expected usable or saleable condition. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally for a period of more than three months.

16. Biological assets

The Group's biological assets are bearer biological assets.

Bearer biological assets are those that are held for the purposes of producing agricultural produce, rendering of services or rental. Bearer biological assets in the Group are vines. Bearer biological assets are initially measured at cost. The cost of self-grown or self-bred bearer biological assets represents the necessary directly attributable expenditure incurred before satisfying the expected production and operating purpose, including capitalised borrowing costs.
Bearer biological assets, after reaching the expected production and operating purpose, are depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated net residual value rates and depreciation rates of bearer biological assets are as follows:

Category	Estimated useful life (years)	Estimated net residual value rate	Depreciation rate (%)
Vines	20 years	0%	5.0%

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

Useful lives, estimated residual values and depreciation methods of bearer biological assets are reviewed at least at each year-end. Any changes should be treated as changes in accounting estimates.

For a bearer biological asset that has been sold, damaged, dead or destroyed, any difference between the disposal proceeds and the carrying amount of the asset (after tax deduction) should be recognised in profit or loss for the period in which it arises.

17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note III.20). For an intangible asset with finite useful life, its cost estimated less residual value and accumulated impairment losses is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.27).

The respective amortisation periods for intangible assets are as follows:

Item	Amortisation period (years)
Land use rights	40-50 years
Software licenses	5-10 years
Trademarks	10

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group had intangible assets with infinite useful lives including the land use rights and trademarks. Land use rights with infinite useful lives are permanent land use rights with permanent ownership held by the Group under the relevant Chile and Australian laws arising from the Group's acquisition of Viña Indómita, S.A., Viña Dos Andes, S.A., and Bodegas Santa Alicia SPA. (collectively referred to as the "Chile Indomita Wine Group"), and the acquisition of Kilikanoon Estate Pty Ltd.(hereinafter referred to as the "Australia Kilikanoon Estate"), therefore there was no amortisation. The right to use trademark refers to the trademark held by the Group arising from the acquisition of the Chile Indomita Wine Group and the Australia Kilikanoon Estate with infinite useful lives. The valuation of trademark was based on the trends in the market and competitive environment, product cycle, and managing long-term development strategy. Those basis indicated the trademark will provide net cash flows to the Group within an uncertain period. The useful life is indefinite as it was hard to predict the period that the trademark would bring economic benefits to the Group.

18 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.20). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

19 Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Item	Amortisation period
Land requisition fee	50 years
Land lease prepayment	50 years
Greening fee	5-20 years
Leasehold improvement	3-5 years
Others	3 years

20 Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- Bearer biological assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with infinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group, or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.21) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

22 Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(1) Sale of goods

Revenue is recognised when the general conditions stated above and the following conditions are satisfied:

- Significant risks and rewards of ownership of goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

Sales of the Group are mainly conducted by distributors. The sales are generally completed when the goods are delivered to distributors and are signed for acceptance.

(2) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue is recognised by reference to the stage of completion based on the proportion of services performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

23 Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

24 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Company for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

25 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

26 Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note III.12), are depreciated in accordance with the Group's depreciation policies described in Note III.13(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.20. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

27 Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use,.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;
- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.21) less costs to sell (except financial assets (see Note III.9), deferred tax assets (see Note III.25) and investment properties subsequent measured at fair value (see Note III. 12) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.21) less costs to sell is recognised as an impairment loss in profit or loss.

28 Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

29 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

30 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2019, over 89% of revenue, more than 98% of profit and over 92% of non-current assets derived from China / are located in China. Therefore the Group does not need to disclose additional segment report information.

31 Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, bearer biological assets and intangible assets (see Notes III. 12, 13, 16 and 17) and provision for impairment of various types of assets (see Notes V.3, 6, 7, 11, 12, 13, 14, 15 and Note XV.1 and 3). Other significant accounting estimates are as follows:

(i) Note V. 17 – Recognition of deferred tax asset;
(ii) Note IX. – Fair value measurements of financial instruments.

32 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2019, the Group has adopted the following revised accounting standards issued by the MOF recently:

- Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (revised), Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Instruments (revised), Accounting Standard for Business Enterprises No. 22 — Hedging Accounting (revised) and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments (revised) (hereinafter referred to as “new financial instrument standard”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)
- Notice on Revision of Illustrative Consolidated Financial Statements (2019 version) (Cai Kuai [2019] No. 16).

- CAS No.7 – Exchange of Non-monetary Assets (Revised) ("CAS 7 (2019)")
- CAS No.12 – Debt Restructuring (Revised) ("CAS 12 (2019)")

(a) Presentation of financial statements

The Group has prepared financial statements for the year ended 31 December 2019 in accordance with the financial statement format specified in Caikuai [2019] No.6 and Caikuai [2019] No.16. The Group has applied the new presentation requirements retrospectively.

Affected assets and liabilities items in the consolidated and company balance sheets as at 31 December 2018:

	The Group		
	Before adjustments	Adjustments	After adjustments
Bills and accounts receivable	530,821,071	(530,821,071)	-
Bills receivable	-	288,667,988	288,667,988
Accounts receivable	-	242,153,083	242,153,083
Bills and accounts payable	713,572,881	(713,572,881)	-
Accounts payable	-	713,572,881	713,572,881
Deferred income due within one year	15,860,254	(15,860,254)	-
Deferred income	70,367,039	15,860,254	86,227,293
Total	1,330,621,245	-	1,330,621,245

	The Company		
	Before adjustments	Adjustments	After adjustments
Bills and accounts receivable	41,333,227	(41,333,227)	-
Bills receivable	-	39,885,254	39,885,254
Accounts receivable	-	1,447,973	1,447,973
Bills and accounts payable	132,704,304	(132,704,304)	-
Accounts payable	-	132,704,304	132,704,304
Deferred income due within one year	3,433,054	(3,433,054)	-
Deferred income	8,910,918	3,433,054	12,343,972
Total	186,381,503	-	186,381,503

(b) New financial instrument standards

The new financial instrument standards revise the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments , Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Instruments, Accounting Standard for Business Enterprises No. 24 — Hedging and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments issued by the MOF in 2006 (hereinafter referred to as “previous financial instrument standards”).

The new financial instrument standards classify financial assets into three basic categories: (1) financial assets measured at amortised cost; (2) financial assets measured at FVOCI;(3) financial assets at FVTPL. The classification of financial assets under new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. New financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under previous financial instruments standards. Under new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

New financial instruments standards replace the “incurred loss” model in previous financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in previous financial instruments standards.

Retrospective adjustments were made to classification and measurement (including impairment) of financial instruments not derecognised on the date of effectiveness of the standards (i.e. 1 January 2019) according to transition requirements of the new financial instrument standards. The Group has not yet adjusted the financial statement and recognises the difference between the previous carrying amount of financial instruments and the new carrying amount on the date of effectiveness of the standards as retained earnings or other comprehensive income at the beginning 2019.

(i) The impact of adoption new financial instrument standards on the consolidated and company balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16 are summarised as follows:

	The Group		
	31 December 2018	1 January 2019	Adjustments
Assets			
Current assets			
Bills receivable	288,667,988	-	(288,667,988)
Accounts receivable	242,153,083	232,099,034	(10,054,049)
Receivables under financing	-	288,667,988	288,667,988
Available-for-sale financial assets	467,251	-	(467,251)
Other non-current financial assets	-	467,251	467,251
Deferred tax assets	285,436,259	287,949,771	2,513,512

	The Company		
	31 December 2018	1 January 2019	Adjustments
Assets			
Bills receivable	39,885,254	-	(39,885,254)
Receivables under financing	-	39,885,254	39,885,254

(ii) Impact of classification of financial instruments

- The Group endorses some bank acceptance bills according to its daily capital management needs. Bank acceptance bills of the Group are managed within a business model whose objective is to collect contractual cash flows and sell the financial asset. As at 1 January 2019, the Group reclassified bank acceptance bills of its subsidiaries of RMB288,667,988 to financial assets at fair value through other comprehensive income and presented as receivables under financing.

- As at 31 December 2018, the carrying amount of unlisted equity investment measured at cost held by the Group was RMB467,251. As at 1 January 2019, the Group designated the equity investment as financial assets at fair value through profit or loss and presented as other non-current financial assets.

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16, results of the classification and measurement of financial assets in accordance with the previous financial instrument standards and the new financial instrument standards are summarised as follows:

The Group

Previous financial instrument standards (31 December 2018)			New financial instrument standards (1 January 2019)		
Item	Type of measurement	Carrying amount	Item	Type of measurement	Carrying amount
Cash at bank and on hand	Amortised cost (loans and receivables)	1,475,700,477	Cash at bank and on hand	Amortised cost	1,475,700,477
Bills receivable	Amortised cost (loans and receivables)	288,667,988	Receivables under financing	Measured at fair value through other comprehensive income	288,667,988
Accounts receivable	Amortised cost (loans and receivables)	242,153,083	Accounts receivable	Amortised cost	232,099,034
Other receivables	Amortised cost (loans and receivables)	22,636,086	Other receivables	Amortised cost	22,636,086
Available-for-sale financial assets	Measured at cost (equity instrument)	467,251	Other non-current financial assets	Measured at fair value through profit or loss (standard requirements)	467,251
Other current assets	Amortised cost (loans and receivables)	258,676,396	Other current assets	Amortised cost	258,676,396

The Company

Previous financial instrument standards (31 December 2018)			New financial instrument standards (1 January 2019)		
Item	Type of measurement	Carrying amount	Item	Type of measurement	Carrying amount
Cash at bank and on hand	Amortised cost (loans and receivables)	624,588,809	Cash at bank and on hand	Amortised cost	624,588,809
Bills receivable	Amortised cost (loans and receivables)	39,885,254	Receivables under financing	Measured at fair value through other comprehensive income	39,885,254
Accounts receivable	Amortised cost (loans and receivables)	1,447,973	Accounts receivable	Amortised cost	1,447,973
Other receivables	Amortised cost (loans and receivables)	1,025,643,356	Other receivables	Amortised cost	1,025,643,356
Other current assets	Amortised cost (loans and receivables)	24,704,844	Other current assets	Amortised cost	24,704,844

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16, adjustment of the carrying amount of the Previous financial assets to the carrying amount of the new financial assets classified and measured in accordance with the new financial instruments standards is as follows:

The Group

	Carrying amount under original financial instruments standards (31 December 2018)	Reclassification	Remeasurement	Carrying amount under new financial instruments standards (31 December 2019)
Amortised cost				
Receivables				
Balance under previous financial instruments standards	242,153,083	-	-	-
Re-measurement: ECL allowance	-	-	(10,054,049)	-
Balance under new financial instruments standards	-	-	-	232,099,034
Bills receivable				
Balance under previous financial instruments standards	288,667,988	-	-	-
Less: transferred to FVOCI (new financial instrument standards)	-	(288,667,988)	-	-
Balance under new financial instruments standards	-	-	-	-
Available-for-sale financial assets				
Balance under previous financial instruments standards	467,251	-	-	-
Less: transferred to FVTPL (new financial instrument standards)	-	(467,251)	-	-
Balance under new financial instruments standards	-	-	-	-
FVOCI				
Receivables under financing				
Balance under previous financial instruments standards	-	-	-	-
Add: Transferred from bills receivable (under previous financial instrument standards)	-	288,667,988	-	-
Balance under new financial instruments standards	-	-	-	288,667,988
FVTPL				
Financial assets held for trading (including other non-current financial assets)				
Balance under previous financial instruments standards	-	-	-	-
Add: transferred from available-for-sale financial assets (under previous financial instrument standards)	-	467,251	-	-
Balance under new financial instruments standards	-	-	-	467,251

The Company

	Balance under previous financial instruments standards (31 December 2018)	Reclassification	Remeasurement	Carrying amount under new financial instruments standards (31 December 2019)
Amortised cost				
Bills receivable				
Balance under previous financial instruments standards	39,885,254	-	-	-
Less: transferred to FVOCI (new financial instrument standards)	-	(39,885,254)	-	-
Balance under new financial instruments standards	-	-	-	-
FVOCI				
Receivables under financing				
Balance under previous financial instruments standards	-	-	-	-
Add: Transferred from bills receivable (under previous financial instrument standards)	-	39,885,254	-	-
按新金融工具准则列示的余额	-	-	-	39,885,254

(iii) Impacts of adoption of ECL measurement

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost;
- financial investments at fair value through other comprehensive income.

The new ECL model do not apply to investments in equity instruments.

Based on balance sheets as at 31 December 2018 after retrospective adjustments in accordance with Caikuai [2019] No.6 and Caikuai [2019] No.16, adjustment of the closing amount of the previous financial instrument provision for impairments to the new provision for impairments classified and measured in accordance with the new financial instrument standards is as follows:

The Group

Type of measurement	Provision for losses under previous financial instrument standards / Estimated liabilities recognised in accordance with contingency standard (31 December 2018)	Reclassification	Remeasurement	Loss allowance under new financial instruments standards (1 January 2019)
Loans and receivables (previous financial instrument standards) / financial assets measured at amortised cost (new financial instrument standards)				
Accounts receivable	-	-	10,054,049	10,054,049
Total	-	-	10,054,049	10,054,049

(c) CAS 7 (2019)

The CAS 7 (2019) specifies the applicability of standard for exchange of non-monetary assets and clarifies the accounting treatment for the situation in which the recognising timing of assets received is inconsistent with the derecognising timing of assets given up. The standard also revises the measurement principle for several assets to be received or given up at the same time during exchange of non-monetary assets at fair value. Additionally, the standard includes disclosure requirements on whether the exchange of non-monetary assets has commercial substance and the reasons behind this determination.

The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

(d) CAS 12 (2019)

CAS 12 (2019) modifies the definition of debt restructuring to specify the scope of this standard, as well as the application of relevant financial instruments standards with respect to the recognition, measurement and presentation of financial instruments involved in debt restructuring. For debt restructuring in which a debt is settled by the transfer of assets, CAS 12 (2019) modifies the principle of measurement for initial recognition of non-financial assets received by the creditor, and gains or losses of the debtor from debt restructuring are recognised without distinguishing whether they are gains or losses from asset transfer or debt restructuring. For debt restructuring in which a debt is settled by the issuance of equity instruments to the creditor, CAS 12 (2019) revises the principle of measurement for initial recognition of its share of equity by the creditor, and provides more guidance on the principle of measurement for initial recognition of equity instruments by the debtor.

The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	13%, 9%, 6% (China, after 1 April 2019), 16%, 10%, 6% (China, 1 May 2018 to 31 March 2019), 17%, 13%, 6% (China, before 1 May 2018), 20% (France), 21% (Spain), 19% (Chile) and 10% (Australia)
Consumption tax	Based on taxable revenue	10% of the price, 20% of the price and RMB1,000 each ton (China)
Urban maintenance and construction tax	Based on VAT paid	7% (China)
Corporate income tax	Based on taxable profits	25% (China), 28% (France), 28% (Spain), 27% (Chile), 30% (Australia)

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2019 and 2018 are all stated as above.

2 Tax preferential treatments

Ningxia Changyu Grape Growing Co., Ltd.("Ningxia Growing"), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Ningxia Huizu Autonomous Region. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Ningxia Growing enjoys an exemption of corporate income tax.

Yantai Changyu Grape Growing Co., Ltd.(" Grape Growing "), a branch of the Company, whose principal activity is grape growing is incorporated in Zhifu District, Yantai City, Shandong Province. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Grape Growing enjoys an exemption of corporate income tax.

Beijing Changyu AFIP Agriculture Development Co., Ltd ("Agriculture Development"), a subsidiary of the Group, whose principal activity is grape growing is incorporated in Miyun, Beijing. According to clause 27 of the Corporate Income Tax Law of the People's Republic of China and clause 86 of the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China, Agriculture Development enjoys an exemption of corporate income tax.

Xinjiang Tianzhu Wine Co., Ltd. ("Xinjiang Tianzhu"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with the Notice on Tax Policy Issues concerning Further Implementation of the Western China Development Strategy (Cai Shui [2011] No.58), Xinjiang Tianzhu is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2015 to 2020.

Xinjiang Chateau Changyu Baron Balboa Co., Ltd. ("Chateau Shihezi"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Shihezi city, Xinjiang Weizu Autonomous. In accordance with the Notice on Tax Policy Issues concerning Further Implementation of the Western China Development Strategy (Cai Shui [2011] No.58), Shihezi Chateau is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2015 to 2020.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	2019	2018
Cash on hand	59,975	114,335
Bank deposits	1,474,489,177	1,382,399,749
Other monetary funds	91,234,828	93,186,393
Total	1,565,783,980	1,475,700,477
Including: Total overseas deposits	42,752,630	22,664,704

As at 31 December 2019, the balance of restricted cash of the Group is as follows:

Item	2019	2018
House maintenance funds	2,647,877	2,611,350

As at 31 December 2019, the Group's other monetary assets is as follows:

Item	2019	2018
Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre") pledged deposit for long-term payables	46,100,000	46,100,000
Deposits for letters of credit	44,540,850	44,540,850
Alipay account balance	583,978	2,483,816
Deposit for Company cards	-	51,727
Deposit for ICBC platform	10,000	10,000
Total	91,234,828	93,186,393

As at 31 December 2019, the Group's term deposits with previous maturity of more than three months is RMB106,128,600 with interest rate 1.10%-2.75% (31 December 2018: RMB173,042,400).

2 Bills receivable

Classification of bills receivable

Item	31 December 2019	31 December 2018
Bank acceptance bills	-	288,667,988
Total	-	288,667,988

3 Accounts receivable

(1) Accounts receivable by customer type are as follows:

Type	31 December 2019	1 January 2019	31 December 2018
Amounts due from related parties	5,902,871	4,696,685	4,696,685
Amounts due from other customers	277,619,657	237,456,398	237,456,398
Sub-total	283,522,528	242,153,083	242,153,083
Less: Provision for bad and doubtful debts	(17,304,375)	(10,054,049)	-
Total	266,218,153	232,099,034	242,153,083

As at 31 December 2019, ownership restricted accounts receivable is RMB54,663,422 (31 December 2018: RMB52,015,032), referring to Note V. 50.

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

Ageing	2019	2018
Within 1 year (inclusive)	275,693,658	240,312,773
Over 1 year but within 2 years (inclusive)	7,354,262	1,566,622
Over 2 years but within 3 years (inclusive)	308,950	273,688
Over 3 years	165,658	-
Sub-total	283,522,528	242,153,083
Less: Provision for bad and doubtful debts	(17,304,375)	-
Total	266,218,153	242,153,083

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by provisioning method

(a) Assessment of ECLs on accounts receivable in 2019:

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

	Loss given default	Carrying amount at the end of the year	Impairment loss at the end of the year
Current	0.5%	212,429,920	1,039,698
Overdue for 1 to 30 days	3.4%	30,728,775	1,047,549
Overdue for 31 to 60 days	7.1%	11,523,509	814,636
Overdue for 61 to 90 days	12.1%	5,764,703	700,190
Overdue for 91 to 120 days	17.4%	1,590,671	276,279
Overdue for 121 to 150 days	22.4%	2,311,625	517,066
Overdue for 151 to 180 days	28.5%	661,492	188,571
Overdue for 181 to 210 days	33.3%	2,583,362	861,027
Overdue for 211 to 240 days	39.4%	6,296,727	2,478,756
Overdue for 241 to 270 days	72.9%	588,355	428,627
Overdue for 271 to 300 days	87.8%	583,701	512,581
Overdue for 331 to 330 days	97.3%	753,239	732,946
Overdue for 330 to 360 days	100.0%	1,491,202	1,491,202
Overdue for 360 days	100.0%	6,215,247	6,215,247
Total	6.1%	283,522,528	17,304,375

The loss given default is measured based on the actual credit loss experience in the past 12 months, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(b) Impairment of account receivables in 2018

Under previous financial instruments standards, provision for impairments is mde when there is objective evidence of impairment.

(4) Movements of provisions for bad and doubtful debts:

	2019	2018
Balance under the previous financial instruments standards	-	-
Adjustment on initial application of the new financial instruments standards	(10,054,049)	-
Balance at the beginning of the year after adjustment	(10,054,049)	-
Charge for the year	(7,304,777)	-
Written-off during the year	54,451	-
Balance at the end of the year	(17,304,375)	-

(5) Five largest accounts receivable by debtor at the end of the year:

Name	Relationship with the Group	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
THE CO-OP FOOD GROUP	Third party	14,953,492	Within 1 year	5.6%	817,989
Lianhua Supermarket Holdings Co., Ltd.	Third party	13,988,131	Within 1 year	5.3%	636,038
NGS Supermarket (Group) Co., Ltd.	Third party	9,278,350	Within 1 year	3.3%	1,916,366
Jiajiayue Group Co., Ltd.	Third party	8,437,439	Within 1 year	3.0%	45,468
MARKS AND SPENCER	Third party	7,427,424	Within 1 year	2.6%	406,296
Total		54,084,836		19.2%	3,822,157

4 Receivables under financing

Item	Note	2019	2018
Bills receivable	(1)	316,470,229	-

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

As at 31 December 2018, there was no pledged bills receivable (31 December 2018: Nil).

(2) Outstanding endorsed bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	265,759,455
Total	265,759,455

As at 31 December 2019, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB265,759,455 (31 December 2018: RMB182,829,674). The notes are used for payment to suppliers and constructions. The Group believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Group would undertake limited liability for the notes.

5 Prepayments

(1) Prepayments by category:

Item	2019	2018
Prepayments	66,807,537	4,219,949
Other prepayments	900,000	-
Total	67,707,537	4,219,949

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

Ageing	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	67,441,713	100%	4,219,949	100%
Over 1 year but within 2 years (inclusive)	265,824	-	-	-
Total	67,707,537	100%	4,219,949	100%

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

(3) Five largest prepayments by debtor at the end of the year:

Name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Beijing Aod Investment Group Co., Ltd.	Prepayments	49,396,000	Within 1 year	73.0%	-
Xinjiang Yuyuan Wine Co., Ltd.	Prepayments	11,749,019	Within 1 year	17.3%	-
State Grid Shandong Electronic Power Yantai Company	Prepaid electricity fees	1,229,571	Within 1 year	1.8%	-
Yantai Mingyuan Refrigeration and Air-conditioning Equipment Co., Ltd.	Prepayments for the equipment	600,000	Within 1 year	0.9%	-
Yantai Huibao Artware Manufacturing Co., Ltd.	Prepayments for the equipment	533,855	Within 1 year	0.8%	-
Total		63,508,445		93.8%	-

6 Other receivables

	Note	31 December 2019	31 December 2018
Interest receivable	(1)	148,927	1,332,681
Others	(2)	24,097,885	21,303,405
Total		24,246,812	22,636,086

(1) Interest receivable

(a) Interest receivable by category:

Item	31 December 2019	31 December 2018
Interest receivable on bank deposits	148,927	1,332,681

(b) Significant overdue interest:

As at 31 December 2019, there was no overdue interest receivable (31 December 2018: Nil).

(2) Others

(a) Others by customer type:

Customer type	31 December 2019	31 December 2018
Amounts due from related parties	813,440	813,440
Amounts due from other companies	23,284,445	20,489,965
Sub-total	24,097,885	21,303,405
Less: Provision for bad and doubtful debts	-	-
Total	24,097,885	21,303,405

(b) The ageing analysis is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	16,052,916	11,293,908
Over 1 year but within 2 years (inclusive)	940,668	6,693,702
Over 2 years but within 3 years (inclusive)	6,547,178	1,922,998
Over 3 years	557,123	1,392,797
Sub-total	24,097,885	21,303,405
Less: Provision for bad and doubtful debts	-	-
Total	24,097,885	21,303,405

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

[(c) Movements of provisions for bad and doubtful debts

As at 31 December 2019, no bad and doubtful debt provision was made for other receivables (31 December 2018: Nil).

As at 31 December 2019, the Group has no other receivables written off (31 December 2018: Nil).

(d) Others categorised by nature

Nature of other receivables	Note	2019	2018
Deposit		9,812,027	10,453,624
Refund of consumption tax and VAT		8,937,164	6,273,882
Petty cash receivable		1,741,147	2,274,038
Others		3,607,547	2,301,861
Sub-total		24,097,885	21,303,405
Less: Provision for bad and doubtful debts		-	-
Total		24,097,885	21,303,405

(a) Five largest others-by debtor at the end of the year

Name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Sercicio de Impuestos Internos	Refund of VAT	7,710,362	Within 1 year	32.0%	-
Finance Bureau of Yantai Economic and Technological Development Area	Deposits	5,262,324	Over 2 years	21.8%	-
Yantai Economic and Technological Development Zone Construction Industry Federation	Construction deposit	1,143,500	Over 2 years	4.7%	-
Yantai Shenma Packaging Co., Ltd.	Lease receivables	813,440	Within 1 year	3.4%	-
Yantai Municipal Tax Service, State Taxation Administration	Refund of VAT	736,946	Within 1 year	3.1%	-
Total		15,666,572		65.0%	-

7 Inventories

(1) Inventories by category:

Item	2019			2018		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	71,681,418	-	71,681,418	67,267,035	-	67,267,035
Work in progress	2,102,781,536	-	2,102,781,536	1,787,819,923	-	1,787,819,923
Finished goods	718,127,090	(20,179,637)	697,947,453	894,187,725	(24,683,226)	869,504,499
Total	2,892,590,044	(20,179,637)	2,872,410,407	2,749,274,683	(24,683,226)	2,724,591,457

(2) Provision for impairment of inventories:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
		Recognised	Reversal	
Finished goods	24,683,226	20,179,637	(24,683,226)	20,179,637

8 Other current assets

Item	2019	2018
Prepaid income taxes	16,854,091	24,077,323
Input tax to be credited	248,975,183	233,087,707
Prepaid rent	1,595,664	1,511,366
Total	267,424,938	258,676,396

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	2019	2018
Investments in joint ventures	43,981,130	-
Less: Provision for impairment	-	-
Total	43,981,130	-

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

Investee	2018 Balance at the beginning of the year	Movements during the year		2019 Closing balance	Shareholding percentage
		Increase in capital	Losses from investments under equity-method		
Joint ventures					
SAS L&M Holdings ("L&M Holdings")	-	45,102,058	(1,120,928)	43,981,130	55%
Total	-	45,102,058	(1,120,928)	43,981,130	

On 22 February 2019, Francs Champs Participations SAS ("Francs Champs"), a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to establish L&M Holdings, a joint venture. Francs Champs contributed 100% of the equity of its subsidiary, Societe Civile Argricole Du Chateau De Mirefleurs ("Mirefleurs"), with a fair value of RMB45,102,058, accounting for 55% of the shares of L&M Holdings. As per the Agreement and the Articles of Association, L&M Holdings is jointly controlled by shareholders of both parties.

10 Investment properties

	Buildings and plants
Cost	
Balance as at 31 December 2018 and 31 December 2019	70,954,045
Accumulated depreciation	
31 December 2018	(39,381,556)
Charge for the year	(1,857,903)
31 December 2019	(41,239,459)
Carrying amount	
Carrying amount at 31 December 2019	29,714,586
Carrying amount at 31 December 2018	31,572,489

11 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Total
Cost				
31 December 2018	4,761,426,425	2,665,798,814	26,580,639	7,453,805,878
Additions during the year				
- Purchases	14,592,625	114,964,123	2,963,537	132,520,285
- Transfers from construction in progress	335,319,537	8,856,929	-	344,176,466
Disposals or written-offs during the year	(6,035,224)	(59,313,825)	(2,874,020)	(68,223,069)
Disposal of subsidiaries	(11,674,567)	-	-	(11,674,567)
31 December 2019	5,093,628,796	2,730,306,041	26,670,156	7,850,604,993
Accumulated depreciation				
31 December 2018	(621,266,769)	(1,062,064,237)	(20,743,205)	(1,704,074,211)
Charge for the year	(143,711,571)	(156,813,823)	(2,260,577)	(302,785,971)
Disposals or written-offs during the year	5,930,965	55,080,117	2,859,001	63,870,083
Disposal of subsidiaries	3,932,031	-	-	3,932,031
31 December 2019	(755,115,344)	(1,163,797,943)	(20,144,781)	(1,939,058,068)
Provision for impairment				
31 December 2018	-	-	-	-
Charge for the year	-	(17,478,027)	-	(17,478,027)
31 December 2019	-	(17,478,027)	-	(17,478,027)
Carrying amount				
31 December 2019	4,338,513,452	1,549,030,071	6,525,375	5,894,068,898
31 December 2018	4,140,159,656	1,603,734,577	5,837,434	5,749,731,667

As at 31 December 2019, ownership restricted net value of fixed assets is RMB344,670,852 (31 December 2018: RMB412,006,421), referring to Note V. 50.

(2) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	47,821,026	(14,796,008)	-	33,025,018
Machinery equipment	73,592,531	(52,434,878)	(17,478,027)	3,679,626
Other equipment	3,344,518	(3,173,906)	-	170,612
Total	124,758,075	(70,404,792)	(17,478,027)	36,875,256

(3) Fixed assets leased out under operating leases

Item	Carrying amount at the end of the year
	RMB
Machinery equipment	102,608
Total	102,608

(4) Fixed assets pending certificates of ownership

Item	Carrying amount	Reason why the certificates are pending
Industry Production Centre of R&D Centre	1,761,265,190	Processing
Dormitories, main building and reception building of Changan Chateau	287,560,490	Processing
European town, main building and service building of Chateau Beijing	181,809,121	Processing
Main building of Chateau Tinlot of Yantai Changyu	79,992,032	Processing
Fermentation shop and warehouse of Xinjiang Tianzhu	17,124,481	Processing
Office and packaging shop of Golden Icewine Valley	8,890,557	Processing
Fermentation shop of Zhangyu (Jingyang)	3,862,118	Processing
Office, experiment building and workshop of Fermentation Centre	3,484,107	Processing
Finished goods warehouse and workshop of Kylin Packaging	2,306,172	Processing
Office of Sales Company	981,632	Processing

The buildings without property certificate above have no significant impact on the Group's management.

12 Construction in progress

(1) Construction in progress

Project	2019			2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
R&D Centre ("Changyu Wine Complex") Project	485,017,326	-	485,017,326	608,553,618	-	608,553,618
Ningxia Chateau Construction Project	46,448,561	-	46,448,561	47,163,862	-	47,163,862
Sales Company Construction Project	6,313,962	-	6,313,962	17,985,881	-	17,985,881
Changan Chateau Construction Project	4,052,839	-	4,052,839	39,793,898	-	39,793,898
Shihezi Chateau Construction Project	877,348	-	877,348	23,664,126	-	23,664,126
Other Companies' Construction Project	24,768,797	-	24,768,797	22,135,206	-	22,135,206
Total	567,478,833	-	567,478,833	759,296,591	-	759,296,591

(2) Movements of major construction projects in progress during the year

Item	Budget	Opening balance	Additions during the year	Transfers to fixed assets	Transfers to long-term deferred expenses	Closing balance	Percentage of actual cost to budget (%)	Accumulated capitalised interest	Attributable to: Interest capitalised for the year	Interest rate for capitalisation in 2019 (%)	Sources of funding
Changyu Wine Complex	4,505,780,000	608,553,618	150,740,457	(268,583,246)	(5,693,503)	485,017,326	77.6%	15,413,102	1,141,265	1.2% and 4.3%	Loans from financial institutions and self-raised
Ningxia Chateau Construction Project	414,150,000	47,163,862	306,115	(1,021,416)	-	46,448,561	102.2%	-	-	-	Self-raised
Changan Chateau Construction Project	620,740,000	39,793,898	10,349,914	(44,440,973)	(1,650,000)	4,052,839	110.4%	-	-	-	Self-raised
Shihezi Chateau Construction Project	780,000,000	23,664,126	905,888	(276,666)	(23,416,000)	877,348	96.4%	-	-	-	Self-raised
Sales Company Construction Project	161,350,000	17,985,881	4,236,485	(15,908,404)	-	6,313,962	100.3%	-	-	-	Self-raised

13. Bearer biological assets

Bearer biological assets are vines, which measured in cost method.

Item	Immature biological assets	Mature biological assets	Total
Original book value			
31 December 2018	13,837,608	235,246,042	249,083,650
Additions during the year			
- Increase in cultivated	7,824,116	-	7,824,116
- Transferred to mature	(8,832,902)	8,832,902	-
Disposals during the year	-	(3,560,972)	(3,560,972)
31 December 2019	12,828,822	240,517,972	253,346,794
Accumulated amortisation			
31 December 2018	-	(39,817,277)	(39,817,277)
Charge for the year	-	(12,722,828)	(12,722,828)
Disposals during the year	-	1,618,597	1,618,597
31 December 2019	-	(50,921,508)	(50,921,508)
Carrying amount			
31 December 2019	12,828,822	189,596,464	202,425,286
31 December 2018	13,837,608	195,428,765	209,266,373

As at 31 December 2019, there is no biological asset with ownership restricted (31 December 2018: Nil).

As at 31 December 2019, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2018: Nil).

14 Intangible assets

Intangible assets

Item	Land use rights	Software licenses	Trademarks	Total
Original book value				
31 December 2018	528,252,911	75,822,057	170,068,735	774,143,703
Additions during the year				
- Purchase	3,502,791	12,436,424	704,531	16,643,746
31 December 2019	531,755,702	88,258,481	170,773,266	790,787,449
Accumulated amortisation				
31 December 2018	(78,070,910)	(26,722,815)	(13,876,519)	(118,670,244)
Additions during the year				
- Charge for the year	(11,262,596)	(8,442,975)	(465,279)	(20,170,850)
Decrease during the year	-	-	-	-
31 December 2019	(89,333,506)	(35,165,790)	(14,341,798)	(138,841,094)
Carrying amount				
31 December 2019	442,422,196	53,092,691	156,431,468	651,946,355
31 December 2018	450,182,001	49,099,242	156,192,216	655,473,459

As at 31 December 2019, the Group has land use right with infinite useful lives of RMB30,589,474 (31 December 2018: RMB30,881,409), representing the freehold land held by Chile Indomita Wine Group and Australia Kilikanoon Estate under relevant Chile and Australia laws, on which the amortisation is not required.

As at 31 December 2019, the Group has trademark with infinite useful lives of RMB154,674,985 (31 December 2018: RMB154,150,933), which is held by Chile Indomita Wine Group and Australia Kilikanoon Estate. The recoverable amount of the trademark is determined according to the present value of the expected future cash flows generated from the asset group to which the single assets of trademark right belongs. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rates used in the cash flow projections are 11.6% and 12.8%, respectively. A key assumption in the estimate of future cash flows is the revenue growth rate in the projecting period. Such revenue growth rate is determined based on the industry and the expected growth rate of Chile Indomita Wine Group and Australia Kilikanoon Estate.

The Group recognises the trademark with infinite useful lives as intangible assets, the impairment assessment of which is made at the end of each reporting year. The management believes that any reasonable change of the above assumptions will not result in the total book value of the asset group to which the single assets of trademark right belongs exceeding its recoverable amount.

According to the result of impairment assessment, by the end of 31 December 2019, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2019, ownership restricted net value of intangible assets is RMB212,495,435 (31 December 2018: RMB218,070,414), referring to Note V. 50.

15 Goodwill

(1) Changes in goodwill

Name of investee or events from which goodwill arose	Note	31 December 2018	Additions during the year	Disposals during the year	31 December 2019
Original book value					
Etablissements Roullet Fransac (“Roullet Fransac”)	(a)	13,112,525	-	-	13,112,525
Dicot Partners, S.L (“Dicot”)	(a)	92,391,901	-	-	92,391,901
Societe Civile Argricole Du Chateau De Mirefleurs (“Mirefleurs”)	(b)	15,761,440	-	(15,761,440)	-
Chile Indomita Wine Group	(a)	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	(a)	37,063,130	-	-	37,063,130
Sub-total		165,199,111	-	(15,761,440)	149,437,671
Impairment provision		-	(7,578,478)	-	(7,578,478)
Carrying amount		165,199,111	(7,578,478)	(15,761,440)	141,859,193

(a) The Group acquired Fransac Sales, Dicot and Mirefleurs and Chile Indomita Wine Group in December 2013, September 2015 January 2016 and July 2017 respectively, resulting in respective goodwill amounting to RMB 13,112,525, RMB 92,391,901, RMB 15,761,440 and RMB 6,870,115. The Group acquired Australia Kilikanoon Estate in January 2018, resulting goodwill amounting to RMB 37,063,130, which have been allocated to corresponding asset groups for impairment testing.

(b) On 22 February 2019, Francs Champs, a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to contribute 100% of the equity of Mirefleurs to establish L&M Holdings, a joint venture. The Group lost control of Mirefleurs this year, and the goodwill decreased by RMB15,761,440 accordingly.

(2) Provision for impairment of goodwill

The Group has allocated the above goodwill to relevant asset groups for impairment testing.

The recoverable amount of the asset group is determined according to the present value of the expected future cash flows. The management prepares the cash flow projection for future 5 years (the "projecting period") based on the latest financial budget assumption, and estimates the cash flows after the future 5 years (the "subsequent period"). The pretax discount rate used in calculating the recoverable amounts of Fransac Sales, Dicot, Mirefleurs, Indomita Wine and Australia Kilikanoon Estate are 14.2%, 11.4%, 11.6% and 12.8%, respectively (2018: 16.6%, 12.4%, 16.6 %, 12.3% and 13.1%). The key assumption is the growth rate of annual revenue growth rate of relevant subsidiaries, which is computed based on the expected growth rate of each subsidiary and long-term average growth rates of relevant industries. Other relevant key assumption is budget gross profit margin, which is determined based on the historical performance of each subsidiary and its expectations for market development. According to the results of the impairment test, the Group found that the recoverable amount of the asset group including goodwill of Australia Kilikanoon Estate is lower than its book value. Therefore, on 31 December 2019, the provision for impairment of goodwill was RMB7,578,478. The impairment loss was recognised in asset impairment loss.

16 Long-term deferred expenses

Item	31 December 2018	Additions during the year	Amortisation for the year	Other decreases	31 December 2019
Land lease prepayment	54,217,763	753,161	(1,472,473)	(1,369,037)	52,129,414
Land requisition fee	43,427,739	-	(1,967,479)	-	41,460,260
Greening fee	141,224,472	13,983,448	(9,255,420)	-	145,952,500
Leasehold improvement	775,647	33,568,156	(1,354,917)	-	32,988,886
Others	4,994,795	1,075,628	(1,006,075)	-	5,064,348
Total	244,640,416	49,380,393	(15,056,364)	(1,369,037)	277,595,408

17 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Item	31 December 2019		1 January 2019		31 December 2018	
	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)	Deductible or taxable temporary differences	Deferred tax assets / (liabilities)
Deferred tax assets:						
Provision for impairment of assets	54,771,519	13,692,880	34,737,276	8,684,319	24,683,226	6,170,807
Unrealised profits of intra-group transactions	479,898,175	119,974,545	602,476,583	150,619,145	602,476,583	150,619,145
Unpaid bonus	184,674,946	46,168,736	141,808,257	35,485,814	141,808,257	35,485,814
Termination benefits	24,833,512	6,208,378	26,186,243	6,546,561	26,186,243	6,546,561
Deductible tax losses	247,147,752	63,459,305	262,937,999	67,566,387	262,937,999	67,566,387
Deferred income	70,643,437	15,422,659	86,227,293	18,868,963	86,227,293	18,868,963
Assets assessment impairment	-	-	661,415	178,582	661,415	178,582
Sub-total	1,061,969,341	264,926,503	1,155,035,066	287,949,771	1,144,981,016	285,436,259
Deferred tax liabilities:						
Revaluation due to business combinations involving entities not under common control	(51,829,561)	(14,691,424)	(81,338,130)	(22,010,647)	(81,338,130)	(22,010,647)

(2) Details of unrecognised deferred tax assets

Item	2019	2018
Deductible tax losses	132,081,819	171,430,831

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

Year	2019	2018
2019	-	7,311,273
2020	5,718,454	45,960,766
2021	36,741,465	82,685,213
2022	26,609,674	14,362,787
2023	31,350,376	21,110,792
2024	31,661,850	-
Total	132,081,819	171,430,831

18 Other non-current assets

Item	2019	2018
Royalty	193,674,320	-

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Company may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group. The license is effective until the expiry of the registration of the trademarks.

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615.

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group ’s contract products using this trademark. The article is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022.If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs. As the amount is a long-term prerpayment, the Company recognises the amount as other non-current assets and meanwhile offset the sales fee, i.e. royalty.

As at 31 December 2019, the Group's royalty in 2019 was RMB38,094,295. When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB193,674,320.

19 Short-term loans

Short-term loans by category:

Item	2019	2018
Unsecured loans	661,067,617	605,202,708
Mortgaged loans	82,568,222	79,467,832
Guaranteed loans	10,677,905	3,331,870
Total	754,313,744	688,002,410

As at 31 December 2019, details of short-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year
			RMB		%	%
Credit loans (RMB)	150,000,000	1.0000	150,000,000	Floating	1-year LPR+0.04%	4.35%
Credit loans (RMB)	400,000,000	1.0000	400,000,000	Floating	Annual benchmark interest rate (%)	4.35%
Credit loans (EUR)	6,632,932	7.8155	51,839,679	Fixed	0.85%-2.0%	0.85%-2.0%
Credit loans (USD)	8,490,000	6.9762	59,227,938	Fixed	2.81%-4.90%	2.81%-4.90%
Mortgaged loans (EUR)	6,994,232	7.8155	54,663,422	Fixed	0.35%-2.86%	0.35%-2.86%
Mortgaged loans (USD)	4,000,000	6.9762	27,904,800	Fixed	2.86%	2.86%
Guaranteed loans (AUD)	2,186,169	4.8843	10,677,905	Fixed	3%	3%
			754,313,744			

As at 31 December 2019, mortgaged loans were Hacienda y Viñedos Marques del Atrio, S.L.U (" Atrio ") factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR6,994,232 (equivalent of RMB54,663,422) (31 December 2018: RMB52,015,032). Mortgaged loans were Indomita Wine mortgaged USD4,000,000 (equivalent of RMB27,904,800) of its fixed assets to BBVA (31 December 2018: RMB27,452,800). Australia Kilikanoon Estate has guaranteed loans of AUD2,186,169 (equivalent of RMB10,677,905) (31 December 2018: RMB3,331,870).

20 Accounts payable

Ageing	2019	2018
Within 1 year (inclusive)	564,803,430	710,208,269
Over 1 year but within 2 years (inclusive)	2,255,083	3,091,659
Over 2 years but within 3 years (inclusive)	3,007,686	121,598
Over 3 years	186,413	151,355
Total	570,252,612	713,572,881

There is no significant account payable with ageing of more than one year.

21 Advance payments received

Details of advances from customers are as follows:

Item	2019	2018
Advances from customers	120,609,499	226,075,244

There is no significant advances from customers with ageing of more than one year:

22 Employee benefits payable

(1) Employee benefits payable:

	Note	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Short-term employee benefits	(2)	185,893,109	530,648,082	(507,651,734)	208,889,457
Post-employment benefits - defined contribution plans	(3)	224,865	56,303,607	(55,792,325)	736,147
Termination benefits		26,186,243	12,542,984	(13,895,715)	24,833,512
Total		212,304,217	599,494,673	(577,339,774)	234,459,116

(2) Short-term employee benefits

	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Salaries, bonuses, allowances	187,685,990	481,363,315	(457,031,510)	212,017,795
Staff welfare	3,014,288	13,807,921	(14,820,620)	2,001,589
Social insurance	461,095	20,088,329	(19,981,978)	567,446
Medical insurance	460,440	17,829,589	(17,722,583)	567,446
Work-related injury insurance	655	1,131,235	(1,131,890)	-
Maternity insurance	-	1,127,505	(1,127,505)	-
Housing fund	52,510	11,993,406	(12,031,721)	14,195
Labour union fee, staff and workers' education fee	1,914,079	3,806,035	(3,785,905)	1,934,209
Sub-total	193,127,962	531,059,006	(507,651,734)	216,535,234
Less: Non-current liabilities	7,234,853	410,924	-	7,645,777
Total	185,893,109	530,648,082	(507,651,734)	208,889,457

(3) Post-employment benefits - defined contribution plans

	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Basic pension insurance	224,533	55,054,748	(54,543,144)	736,137
Unemployment insurance	332	1,248,859	(1,249,181)	10
Total	224,865	56,303,607	(55,792,325)	736,147

23 Taxes payable

Item	2019	2018
Value-added tax	88,590,035	36,442,868
Consumption tax	48,497,550	28,636,646
Corporate income tax	216,958,309	40,869,507
Individual income tax	840,997	2,476,527
Tax on the use of urban land	2,216,390	5,669,099
Education surcharges	4,858,904	4,337,712
Urban maintenance and construction tax	6,731,772	5,165,128
Others	6,476,014	5,315,303
Total	375,169,971	128,912,790

24 Other payables

	Note	31 December 2019	31 December 2018
Interest payable		758,047	712,826
Dividends payable		1,366,559	-
Others	(1)	448,407,879	607,767,064
Total		450,532,485	608,479,890

(1) Others

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

Item	2019	2018
Deposit payable to dealer	164,649,995	159,191,138
Advertising fee payable	90,741,404	80,715,461
Equipment and construction fee payable	72,004,009	152,825,734
Freight charges payable	31,842,443	38,867,725
Contracting fee payable	16,997,685	27,070,584
Deposits due to suppliers	13,990,900	15,901,210
Staff deposit	1,866,765	2,806,766
Royalty due to Changyu Group	-	78,414,978
Others	56,314,678	51,973,468
Total	448,407,879	607,767,064

(b) Significant others aged over one year:

Item	Balance at the end of the year	Reasons why not settled
VASF Company	4,877,876	Payables for contracting fee
Total	4,877,876	

25 Non-current liabilities due within one year

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

Item	2019	2018
Long-term loans due within one year	116,826,221	118,940,788
Long-term payables due within one year	34,000,000	34,000,000
Total	150,826,221	152,940,788

26 Long-term loans

(1) Long-term loans by category

Item	2019	2018
Credit loans	136,749,730	139,171,506
Guaranteed loans	105,093,000	129,500,000
Mortgaged loans	3,875,992	6,749,944
Less: Long-term loans due within one year	116,826,221	118,940,788
Total	128,892,501	156,480,662

As at 31 December 2019, details of long-term borrowings were as follows:

	Amount	Exchange rate	Amount	Nature of interest rate	Interest rate	Interest rate at the end of the year	Long-term loans due within one year	Long-term loans due after one year
			RMB		%	%		
Credit loans (EUR)	17,497,246	7.8155	136,749,730	Fixed	1.0%-1.7%	1.0%-1.7%	88,740,091	48,009,639
Guaranteed loans (RMB)	56,250,000	1	56,250,000	Floating	90% of 5-year LPR	4.275%	25,000,000	31,250,000
Guaranteed loans (AUD)	10,000,000	4.8843	48,843,000	Fixed	2.5%	2.5%	-	48,843,000
Mortgaged loans (EUR)	495,937	7.8155	3,875,992	Fixed	1.8%	1.8%	3,086,130	789,862
Total			245,718,722				116,826,221	128,892,501

As at 31 December 2019, Credit loans were EUR17,497,246 borrowed by Atrio from Bankia, Banco Santander, BBVA and Caja Rural de Navarr etc. (equivalent of RMB136,749,730) (31 December 2018: RMB139,171,506). Mortgaged loans (RMB) were long-term borrowings of RMB56,250,000 of the R&D Centre, a subsidiary of the Company (31 December 2018: RMB81,250,000). Australia Kilikanoon Estate has borrowed AUD10,000,000(equivalent of RMB48,843,000) (31 December 2018: RMB48,250,000) from ANZ Bank and its guaranteed by the Company. Mortgaged loans were borrowings of EUR495,937 (equivalent of RMB3,875,992) form Popular Español, pledged with its land which valued EUR2,931,722 (equivalent of RMB22,912,873) (31 December 2018: RMB6,749,944).

27 Long-term payables

Item	2019	2018
Agricultural Development Fund of China ("CADF")	225,000,000	259,000,000
Less: Long-term payables due within one year	34,000,000	34,000,000
Balance of long-term payables	191,000,000	225,000,000

In 2016, RMB 305,000,000 from CADF was invested in R&D Centre, CADF accounted for 37.9% of the registered capital. According to the investment agreement, CADF will recovery investment funds over 10 years, the investment income received equal to 1.2% of the remaining unpaid principal per annum. In addition to the fixed income, CADF will no longer enjoy other profits or bear the loss of R&D Centre. Therefore, although the investment in R&D Centre, nominally equity investment, is actually a debt investment (financial discount loan). The Group take this investment as long-term payables, which measured in amortized cost. The Group repays the principal of RMB 34,000,000 in 2019. Refer to Note V. 50 for details of mortgaged and pledged assets.

Balance of long-term payables	Return on investment	Investment date	Termination date of repayment	Due within one year	Due after one year	Mortgaged and pledged assets
RMB				*RMB*	*RMB*	
57,000,000	1.2%	12 January 2016	24 December 2025	10,000,000	47,000,000	Cash at bank and on hand and intangible assets
154,000,000	1.2%	29 February 2016	28 February 2026	22,000,000	132,000,000	Fixed assets and intangible assets
14,000,000	1.2%	16 June 2016	22 May 2026	2,000,000	12,000,000	Cash at bank and on hand
225,000,000				34,000,000	191,000,000	

28 Deferred income

Item	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Government grants	86,227,293	7,833,097	(23,359,102)	70,701,288

Government grants:

Liability	31 December 2018	Additions of government grants during the year	Amounts recognised in other income during the year	31 December 2019	Related to assets/income
Industrial development support project	32,800,000	-	(4,100,000)	28,700,000	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	15,642,000	-	(1,422,000)	14,220,000	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	6,996,600	-	(2,280,000)	4,716,600	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	6,000,000	-	(2,000,000)	4,000,000	Government grants related to assets
Special government grant for infrastructure	4,240,000	-	(1,060,000)	3,180,000	Government grants related to assets
Raw wine fermentation project	3,304,500	-	(1,434,900)	1,869,600	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	3,200,000	-	(400,000)	2,800,000	Government grants related to assets
Engineering technology transformation of information system project	2,900,000	-	(580,000)	2,320,000	Government grants related to assets
Liquor electronic tracking project	2,525,257	-	(667,054)	1,858,203	Government grants related to assets
Infrastructure construction project	1,718,750	-	(1,368,750)	350,000	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,639,000	500,000	(262,000)	1,877,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	1,026,400	-	(128,300)	898,100	Government grants related to assets
Wine industry development project	558,000	-	(186,000)	372,000	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	-	265,397	-	265,397	Government grants related to assets
Coal subsidy	-	260,000	(58,500)	201,500	Government grants related to assets
Introduction fund for service industry development	2,000,000	400,000	(2,400,000)	-	Related to income
Cross-border e-commerce project	880,256	29,000	(69,298)	839,958	Related to income
Travelling development fund subsidy project	500,000	60,000	-	560,000	Related to income
Water pollution control project fund	206,530	-	(113,600)	92,930	Related to income
Subsidy for boiler reconstruction and demolition	90,000	-	(10,000)	80,000	Related to income
Special funds for the development of enterprises	-	6,318,700	(4,818,700)	1,500,000	Related to income
Total	86,227,293	7,833,097	(23,359,102)	70,701,288	

29 Other non-current liabilities

Item	31 December 2019	31 December 2018
Employee benefits payable	7,645,777	7,234,853

As at 31 December 2019, employee benefit represents deposit from bonus accrued for managers and above. The bonus is expected to be paid during 2021 to 2023.

30 Share capital

	At 31 December 2018 and 31 December 2019
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

31 Capital reserve

Item	31 December 2018	Additions during the year	Decrease during the year	31 December 2019
Share premium	560,038,853	-	(905,019)	559,133,834
Others	5,916,588	-	-	5,916,588
Total	565,955,441	-	(905,019)	565,050,422

The balance between the long-term equity investment acquired due to the purchase of minority shareholding and the share of net assets continuously calculated since the date of acquisition by the subsidiary based on the proportion of newly increased shareholding shall be offset against the capital reserve. Details of non-controlling interests acquired during the year, see Note- VII. 2.

32 Other comprehensive income

Item	Balance at the beginning of the year attributable to shareholders of the Company	Accrued during the year					Balance at the end of the year attributable to shareholders of the Company
		Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expenses	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
Items that may be reclassified to profit or loss							
Translation differences arising from translation of foreign currency financial statements	2,965,377	(8,542,792)	-	-	(7,200,960)	(1,341,832)	(4,235,583)

33 Surplus reserve

Item	31 December 2019	31 December 2018
Statutory surplus reserve	342,732,000	342,732,000

In accordance with the Company Law and the Articles of Association Company, the Company appropriated 10% of its net profit to statutory surplus reserve. The appropriation to the statutory surplus reserve may be ceased when the accumulated appropriation reaches over 50% of the registered capital of the Company. The Company does not appropriate net profit to the surplus reserve in 2019 as surplus reserve of the Company is above 50% of the registered capital.

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

34 Retained earnings

Item	Note	2019	2018
Retained earnings at the beginning of the year (before adjustment)		8,008,982,547	7,309,081,618
Total adjustments for opening retained earnings	(1)	(7,540,537)	-
Retained earnings at the beginning of the year (after adjustment)		8,001,442,010	7,309,081,618
Add: Net profits for the year attributable to shareholders of the Company		1,129,735,749	1,042,632,929
Less: Dividends to ordinary shares	(2)	411,278,400	342,732,000
Retained earnings at the end of the year	(3)	8,719,889,359	8,008,982,547

(1) Adjustments on beginning retained earnings are as follows:

Retrospective adjustments of RMB7,540,537 made on beginning retained earnings in accordance with CAS and related new regulations (See Note III. 32).

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

Pursuant to the shareholders' approval at the shareholders' general meeting on 17 May 2019, a cash dividend of RMB0.6 per share (2018: RMB0.5 per share), totalling RMB411,278,40 (2018: RMB342,732,000), was declared and paid to the Company's ordinary shareholders on 8 July 2019 and 10 July 2019.

(3) Retained earnings at the end of the year

As at 31 December 2019, the consolidated retained earnings attributable to the Company included an appropriation of RMB56,059,538 (2018: RMB54,336,543) to surplus reserve made by the subsidiaries.

35 Operating income and operating costs

Item	2019		2018	
	Income	Cost	Income	Cost
Principal activities	4,944,119,295	1,855,399,515	5,066,265,044	1,872,991,039
Other operating activities	86,892,194	32,096,476	75,979,696	28,620,468
Total	5,031,011,489	1,887,495,991	5,142,244,740	1,901,611,507

Details of operating income:

	2019	2018
Operating income from principal activities		
- Sale of goods	4,944,119,295	5,066,265,044
Sub-total	4,944,119,295	5,066,265,044
Income from other business	86,892,194	75,979,696
Total	5,031,011,489	5,142,244,740

36 Taxes and surcharges

Item	2019	2018
Consumption tax	159,206,181	157,037,382
Urban maintenance and construction tax	36,159,526	39,655,738
Education surcharges	26,463,129	28,762,507
Property tax	29,984,237	31,461,708
Tax on the use of urban land	11,033,252	12,098,790
Stamp duty	3,088,747	4,507,785
Others	2,527,306	2,967,764
Total	268,462,378	276,491,674

37 Selling and distribution expenses

Item	2019	2018
Marketing fee	376,428,191	386,519,123
Salaries and benefits	353,390,023	297,489,665
Transport charges	121,007,566	141,756,007
Labour service fee	72,788,245	72,036,252
Advertising fee	45,359,135	35,857,276
Conference fee	42,272,189	32,731,215
Depreciation expense	40,227,482	41,410,740
Storage rental	37,586,638	45,668,613
Design and production fee	26,471,703	29,437,757
Travelling expenses	26,010,813	27,176,277
Water, electricity and gas fee	14,136,779	11,297,244
Royalty	(182,711,622)	73,976,395
Others	80,264,882	79,242,582
Total	1,053,232,024	1,274,599,146

38 General and administrative expenses

Item	2019	2018
Salaries and benefits	90,477,287	114,473,209
Depreciation expenses	61,831,915	71,978,485
Repair costs	28,555,032	25,189,384
Administrative expenses	23,101,636	23,766,176
Amortisation expenses	18,373,495	18,187,049
Amortisation of greening fee	18,409,031	14,730,804
Contracting fee	13,377,255	13,364,835
Rental charge	12,938,864	13,012,167
Safety production costs	9,510,828	9,692,574
Security and cleaning fee	8,124,135	8,659,405
Others	27,205,178	30,526,563
Total	311,904,656	343,580,651

39 Financial expenses

Item	2019	2018
Interest expenses from loans and payables	50,212,059	52,198,774
Less: Borrowing costs capitalised	1,141,265	5,843,872
Less: Financial expenses offset by fiscal interest subsidy	7,500,000	-
Interest income from deposits and receivables	(12,327,441)	(12,086,007)
Net exchange (gains) / losses	3,611,536	(666,323)
Other financial expenses	2,435,813	2,342,730
Total	35,290,702	35,945,302

Fiscal interest subsidy during reporting period has been included in non-recurring gains and losses.

40 Other income

Item	2019	2018	Related to assets/income
Reward on the fixed asset investment	2,280,000	2,280,000	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	2,000,000	2,000,000	Government grants related to assets
Industrial development support project	4,100,000	4,100,000	Government grants related to assets
Others - Government grants related to assets	7,567,504	8,579,199	Government grants related to assets
Special funds for the development of enterprises	37,449,390	42,953,900	Related to income
Tax refunds	8,724,775	6,587,773	Related to income
Strong industrial city special funds	2,518,700	4,750,000	Related to income
Others - Government grants related to income	12,697,212	16,030,562	Related to income
Total	77,337,581	87,281,434	

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

41 Investment income

Investment income by item

Item	Note	2019	2018
Long-term equity investment losses under equity method		(1,120,928)	-
Investment income from disposal of long-term equity investments	(1)	6,233,661	-
Total		5,112,733	-

(1) On 22 February 2019, Francs Champs, a subsidiary of the Group, signed the Cooperation Agreement with SC Garri du Gai to establish L&M Holdings, a joint venture. Francs Champs contributed 100% of the equity of its subsidiary, Mirefleurs, with a fair value of RMB45,102,058. The deference of RMB6,233,661 between the book value of fair value of net asset of Mirefleurs and the goodwill of Mirefleurswas when it was acquired by the Group was included in investment income.

42 Credit losses

Item	2019
Accounts receivable	7,304,777
Total	7,304,777

43 Impairment losses / (reversal)

Item	2019	2018
Inventories	(4,503,589)	(912,166)
Fixed assets	17,478,027	-
Goodwill	7,578,478	-
Total	20,552,916	(912,166)

44 Gains from asset disposals

Item	2019	2018
Gains from disposal of fixed assets	39,015	11,368,355

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

45 Non-operating income and non-operating expenses

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

Item	2019	2018
Net penalty income	2,593,116	1,901,530
Others	8,328,632	5,451,779
Total	10,921,748	7,353,309

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

(2) Non-operating expenses

Item	2019	2018
Compensation, penalty and fine expenses	403,975	1,445,721
Donations provided	699,296	593,819
Others	2,519,998	1,496,368
Total	3,623,269	3,535,908

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

46 Income tax expenses

Item	Note	2019	2018
Current tax expense for the year based on tax law and regulations		385,102,064	352,598,370
Changes in deferred tax assets/liabilities	(1)	15,704,045	14,529,152
Total		400,806,109	367,127,522

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

Item	2019	2018
Origination of temporary differences	15,704,045	14,529,152
Total	15,704,045	14,529,152

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

Item	2019	2018
Profit before taxation	1,530,514,737	1,408,611,698
Estimated income tax at 25%	382,628,684	352,152,925
Effect of different tax rates applied by subsidiaries	(707,938)	(949,634)
Effect of non-deductible costs, expense and losses	6,705,569	5,496,292
Effect of deductible losses of deferred tax assets not recognised for the year	7,397,810	4,642,727
Deferred tax assets written-off	4,781,984	5,785,212
Income tax expenses	400,806,109	367,127,522

47 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	1,129,735,749	1,042,632,929
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	1.65	1.52

Weighted average number of ordinary shares is calculated as follows:

	2019	2018
Issued ordinary shares at the beginning of the year	685,464,000	685,464,000
Weighted average number of ordinary shares at the end of the year	685,464,000	685,464,000

(2) The Group does not have any potential dilutive ordinary shares for the listed years.

48 Cash flow statement

(1) Proceeds relating to other operating activities:

Item	2019	2018
Government grants	69,311,576	57,123,900
Penalty income	2,593,116	1,901,530
Interest income from bank	12,327,441	7,871,853
Others	9,512,388	5,806,589
Total	93,744,521	72,703,872

(2) Payments relating to other operating activities:

Item	2019	2018
Selling and distribution expenses	761,969,906	918,966,855
General and administrative expenses	138,738,416	140,112,380
Others	12,856,014	4,637,082
Total	913,564,336	1,063,716,317

(3) Proceeds relating to other financing activities:

Item	2019	2018
R&D Centre pledged deposit for long-term payables	-	61,700,000
Interest income from R&D Centre pledged deposit for long-term payables	-	768,259
Total	-	62,468,259

(4) Payments relating to other financing activities:

Item	2019	2018
Proceed from acquisitions of non-controlling interests' distributions or interest	11,619,552	-
R&D Centre pledged deposit for long-term payables	-	46,100,000
Total	11,619,552	46,100,000

49 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

a. Reconciliation of net profit to cash flows from operating activities:

Item	2019	2018
Net profit	1,129,708,628	1,041,484,176
Add: Provisions for impairment of assets / (reversal)	20,552,916	(912,166)
Credit losses	7,304,777	-
Depreciation of fixed assets and investment property	304,643,874	299,696,260
Amortisation of intangible assets	20,170,850	19,018,740
Amortisation of long-term deferred expenses	15,056,364	12,082,117
Amortisation of biological assets	12,722,828	12,034,812
Gains from disposal of fixed assets, intangible assets, and other long-term assets	(39,015)	(11,368,355)
Financial expenses	49,508,886	45,855,744
Royalty	(182,711,622)	-
Investment income	(5,112,733)	-
Decrease in deferred tax assets	23,023,268	22,685,137
Decrease in deferred tax liabilities	(7,319,223)	(8,155,985)
Decrease in gross inventories	(158,274,938)	(180,452,933)
Increase in operating receivables	(290,520,189)	(137,899,294)
Decrease in operating payables	(100,876,647)	(138,089,507)
Net cash flows from operating activities	837,838,024	975,978,746

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

Item	2019	2018
Payment of intangible assets and other long-term assets by bank acceptances	165,716,961	109,378,598

c. Change in cash and cash equivalents:

Item	2019	2018
Cash equivalents at the end of the year	1,365,772,675	1,206,860,334
Less: Cash equivalents at the beginning of the year	1,206,860,334	1,180,889,274
Net increase in cash and cash equivalents	158,912,341	25,971,060

(2) Details of cash and cash equivalents

Item	2019	2018
Cash at bank and on hand		
Including: Cash on hand	59,975	114,335
Bank deposits available on demand	1,365,712,700	1,206,745,999
Closing balance of cash and cash equivalents	1,365,772,675	1,206,860,334

50 Assets with restrictive ownership title or right of use

Item	Opening balance	Additions during the year	Decrease during the year	Balance at the end of the year	Reason for restriction
Cash at bank and on hand	95,797,743	-	(1,915,038)	93,882,705	R&D Centre mortgage for long-term payables etc.
Account receivable (i)	52,015,032	183,997,103	(181,348,713)	54,663,422	Short-term borrowings mortgage from Atrio
Fixed assets	412,006,421	-	(67,335,569)	344,670,852	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	218,070,414	-	(5,574,979)	212,495,435	R&D Centre mortgage for long-term payables
Total	777,889,610	183,997,103	(256,174,299)	705,712,414	

(i) As at 31 December 2019, the amount of accounts receivable with restricted ownership is EUR 6,994,232 (equivalent of RMB54,663,422), which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2018: EUR6,628,399, equivalent of RMB52,015,032)

VI. Change of consolidation scope

Disposal of subsidiaries

Disposal of investments in subsidiaries through a single transaction resulting in loss of control

Name	Consideration	Shareholding being disposed (%)	Disposal method	Date of losing control	Basis for determining date of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements
Mirefleurs	45,102,058	100	Transfer by agreement	30/03/2019	Asset delivery date	6,233,661

The Group recognised a gain of RMB6,233,661 on disposal of Mirefleurs resulting in loss of control, which has been included in investment income of consolidated financial statements.

VII. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Xinjiang Tianzhu Wine Co., Ltd. ("Xinajing Tianzhu")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB75,000,000	60	-	Business combinations involving entities not under common control
Etablissements Roullet Fransac ("Roullet Fransac")	Cognac, France	Cognac, France	Trading	EUR2,900,000	-	100	Business combinations involving entities not under common control
Dicot Partners, S.L ("Dicot")	Navarre, Spain	Navarre, Spain	Marketing and sales	EUR2,000,000	75	-	Business combinations involving entities not under common control
Viña Indómita, S.A.,Viña Dos Andes,S.A., and Bodegas Santa Alicia SpA. ("Chile Indomita Wine Group")	Santiago, Chile	Santiago, Chile	Marketing and sales	CLP31,100,000,000	85	-	Acquired through establishment or investment
Kilikanoon Estate Pty Ltd ("Australia Kilikanoon Estate")	Adelaide, Australia	Adelaide, Australia	Marketing and sales	AUD6,420,000	82.5	-	Business combinations involving entities not under common control
Beijing Changyu Sales and Distribution Co., Ltd ("Beijing Sales")	Beijing, China	Beijing, China	Marketing and sales	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Kylin Packaging Co., Ltd. ("Kylin Packaging")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB15,410,000	100	-	Acquired through establishment or investment
Yantai Chateau Changyu-Castel Co., Ltd ("Chateau Changyu") (c)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB5,000,000	70	-	Acquired through establishment or investment
Changyu (Jingyang) Wine Co., Ltd. ("Jingyang Wine")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB1,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer Wine Sales Co.,	Yantai, Shandong,	Yantai, Shandong,	Marketing and	RMB8,000,000	100	-	Acquired through

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Ltd. ("Sales Company")	China	China	sales				establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	RMB6,108,818	39	10	Acquired through establishment or investment
Changyu (Jingyang) Wine Sales Co., Ltd. ("Jingyang Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Langfang Changyu Pioneer Wine Sales Co., Ltd ("Langfang Sales")	Langfang, Hebei, China	Langfang, Hebei, China	Marketing and sales	RMB1,000,000	10	90	Acquired through establishment or investment
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Marketing and sales	RMB1,000,000	30	70	Acquired through establishment or investment
Beijing Changyu AFIP Agriculture development Co., Ltd ("Agriculture Development")	Miyun, Beijing, China	Miyun, Beijing, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Beijing Chateau Changyu AFIP Global Co., Ltd. (“AFIP”) (d)	Beijing, China	Beijing, China	Manufacturing	RMB 64,2750,000	91.53	-	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wines Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	90	10	Acquired through establishment or investment
Yantai Changyu Pioneer International Co., Ltd. ("Pioneer International")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	70	30	Acquired through establishment or investment
Hangzhou Changyu Wine Sales Co., Ltd. ("Hangzhou Changyu")	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Ningxia Changyu Grape Growing Co., Ltd. (“Ningxia Growing”)	Yinchuan, Ningxia, China	Ningxia, China	Plating	RMB1,000,000	100	-	Acquired through establishment or investment
Huanren Changyu National Wines Sales Co., Ltd. ("National Wines")	Benxi, Liaoning, China	Benxi, Liaoning, China	Marketing and sales	RMB2,000,000	100	-	Acquired through establishment or investment
Liaoning Changyu Golden Icewine Valley Co., Ltd. ("Golden Icewine Valley") (e)	Benxi, Liaoning, China	Benxi, Liaoning, China	Manufacturing	RMB59,687,300	51	-	Acquired through establishment or investment
Yantai Development Zone Changyu Trading Co., Ltd ("Development Zone Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Shenzhen Changyu Wine Marketing Ltd. ("Shenzhen Marketing") (a)	Shenzhen, Guangdong, China	Shenzhen, Guangdong, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Yantai Changyu Fushan Trading Company ("Fushan Trading")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Beijing AFIP Meeting Center ("Meeting Center")	Miyun, Beijing, China	Miyun, Beijing, China	Services	RMB500,000	-	100	Acquired through establishment or investment
Beijing AFIP Tourism and Culture ("AFIP Tourism")	Miyun, Beijing, China	Miyun, Beijing, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Changyu (Ningxia) Wine Co., Ltd. (“Ningxia Wine”)	Ningxia, China	Ningxia, China	Manufacturing	RMB1,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Chateau Tinlot Co., Ltd. ("Chateau Tinlot")	Yantai, Shandong, China	Yantai, Shandong, China	Wholesale and retail	RMB400,000,000	65	35	Acquired through establishment or investment
Qing Tong Xia Changyu Wine Marketing Ltd. ("Qing Tong Xia Sales")	Ningxia, China	Ningxia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Xinjiang Chateau Changyu Baron Balboa Co., Ltd. (“Chateau Shihezi”)	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Manufacturing	RMB550,000,000	100	-	Acquired through establishment or investment
Ningxia Chateau Changyu Moser XV Co., Ltd. (“Chateau Ningxia”)	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Manufacturing	RMB2,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Co., Ltd. (“Chateau Changan”)	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Manufacturing	RMB20,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Wine Research & Development Centre Co., Ltd. (“R&D Centre”) (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	68.97	-	Acquired through establishment or investment
Changyu (HuanRen) Wine Co., Ltd ("Huan Ren Wine")	Benxi, Liaoning, China	Benxi, Liaoning, China	Wine production projecting	RMB5,000,000	100	-	Acquired through establishment or investment
Xinjiang Changyu Sales Co., Ltd ("Xinjiang Sales")	Shihezi, Xinjiang, China	Shihezi, Xinjiang, China	Marketing and sales	RMB10,000,000	-	100	Acquired through establishment or investment
Ningxia Changyu Trading Co., Ltd ("Ningxia Trading")	Yinchuan, Ningxia, China	Yinchuan, Ningxia, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Shaanxi Changyu Rena Wine Sales Co., Ltd ("Shaanxi Sales")	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB3,000,000	-	100	Acquired through establishment or investment
Penglai Changyu Wine Sales Co., Ltd ("Penglai Sales")	Penglai, Shandong, China	Penglai, Shandong, China	Marketing and sales	RMB5,000,000	-	100	Acquired through establishment or investment
Laizhou Changyu Wine Sales Co., Ltd ("Laizhou Sales")	Laizhou, Shandong, China	Laizhou, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Francs Champs Participations SAS ("Francs Champs")	Cognac, France	Cognac, France	Investment and trading	EUR32,000,000	100	-	Acquired through establishment or investment
Lanzhou Changyu Wine Sales Co., Ltd ("Lanzhou Sales") (a)	Lanzhou Gansu, China	Lanzhou Gansu, China	Marketing and sales	RMB100,000	-	100	Acquired through establishment or investment
Beijing Retailing Co. Ltd ("Beijing Retailing")	Beijing, China	Beijing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Tianjin Changyu Pioneer Sales Co., Ltd ("Tianjin Pioneer")	Tianjin, China	Tianjin, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Fuzhou Changyu Pioneer Sales Co., Ltd ("Fuzhou Pioneer") (a)	Fuzhou, Fujian, China	Fuzhou, Fujian, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Nanjing Changyu Pioneer Sales Co., Ltd ("Nanjing Pioneer") (a)	Nanjing, Jiangsu, China	Nanjing, Jiangsu, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Xianyang Changyu Pioneer Sales Co., Ltd ("Xianyang Pioneer") (a)	Xianyang, Shaanxi, China	Xianyang, Shaanxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shenyang Changyu Pioneer Sales Co., Ltd ("Shenyang Pioneer") (a)	Shenyang, Liaoning, China	Shenyang, Liaoning, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Jinan Changyu Pioneer Sales Co., Ltd ("Jinan Pioneer") (a)	Jinan, Shandong, China	Jinan, Shandong, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shanghai Changyu Pioneer Sales Co., Ltd ("Shanghai Pioneer") (a)	Shanghai, China	Shanghai, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Fuzhou Changyu Pioneer Sales Co., Ltd ("Fuzhou Pioneer") (a)	Fuzhou, Jiangxi, China	Fuzhou, Jiangxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Shijiazhuang Changyu Pioneer Sales Co.,	Shijiazhuang, Hebei,	Shijiazhuang, Hebei,	Marketing and	RMB500,000	-	100	Acquired through

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Ltd ("Shijiazhuang Pioneer") (a)	China	China	sales				establishment or investment
Hangzhou Yuzefeng Sales Co., Ltd ("Hangzhou Yuzefeng") (a)	Hangzhou, Zhejiang, China	Hangzhou, Zhejiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Jilin Changyu Pioneer Sales Co., Ltd ("Jilin Pioneer") (a)	Changchun, Jilin, China	Changchun, Jilin, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Beijing Changyu Pioneer Sales Co., Ltd ("Beijing Pioneer")	Beijing, China	Beijing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Harbin Changyu Pioneer Sales Co., Ltd ("Harbin Pioneer") (a)	Heilongjiang, China	Heilongjiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Hunan Changyu Pioneer Sales Co., Ltd ("Hunan Pioneer") (a)	Changsha, Hunan, China	Changsha, Hunan, China	Marketing and sales	RMB2,000,000	-	100	Acquired through establishment or investment
Yinchuan Changyu Pioneer Sales Co., Ltd ("Yinchuan Pioneer") (a)	Ningxia, China	Ningxia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Kunming Changyu Pioneer Sales Co., Ltd ("Kunming Pioneer") (a)	Kunming, Yunnan, China	Kunming, Yunnan, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Chongqing Changyu Pioneer Sales Co., Ltd ("Chongqing Pioneer") (a)	Chongqing, China	Chongqing, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Wuhan Changyu Pioneer Sales Co., Ltd ("Wuhan Pioneer") (a)	Wuhan, Hubei, China	Wuhan, Hubei, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Hohhot Changyu Pioneer Sales Co., Ltd ("Hohhot Pioneer") (a)	Hohhot, Inner Mongolia, China	Hohhot, Inner Mongolia, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Chengdu Changyu Pioneer Sales Co., Ltd ("Chengdu Pioneer") (a)	Chengdu, Sichuan, China	Chengdu, Sichuan, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Nanning Changyu Pioneer Sales Co., Ltd ("Nanning Pioneer") (a)	Nanning, Guangxi, China	Nanning, Guangxi, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Lanzhou Changyu Pioneer Sales Co., Ltd ("Lanzhou Pioneer") (a)	Lanzhou, Gansu, China	Lanzhou, Gansu, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%)		Acquisition method
					(or similar equity interest)		
Yantai Roullet Fransac Wine Sales Co., Ltd. (“Yantai Roullet Fransac”)	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Hefei Changyu Pioneer Sales Co., Ltd ("Hefei Pioneer") (a)	Hefei, Anhui, China	Hefei, Anhui, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Urumchi Changyu Pioneer Sales Co., Ltd ("Urumchi Pioneer") (a)	Xinjiang, China	Xinjiang, China	Marketing and sales	RMB500,000	-	100	Acquired through establishment or investment
Guangzhou Changyu Pioneer Sales Co., Ltd ("Guangzhou Pioneer") (a)	Guanghzou, Guangdong, China	Guanghzou, Guangdong, China	Marketing and sales	RMB11,000,000	-	100	Acquired through establishment or investment
Yantai Changyu Wine Sales Co., Ltd. ("Wine Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB5,000,000	100	-	Acquired through establishment or investment
Shaanxi Chateau Changyu Rena Tourism Co., Ltd ("Chateau Tourism")	Xianxin, Shaanxi, China	Xianxin, Shaanxi, China	Tourism	RMB1,000,000	-	100	Acquired through establishment or investment
Longkou Changyu Wine Sales Co., Ltd ("Longkou Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB1,000,000	-	100	Acquired through establishment or investment
Societe Civile Argricole Du Chateau De Mirefleurs (“Mirefleurs”) (b)	Bordeaux, France	Bordeaux, France	Trading	EUR30,000	-	100	Business combinations involving entities not under common control

(a) Companies above were deregistered in 2019.
(b) Mirefleurs was disposed as the contribution of L&M Holdings for the year.

Reasons for the inconsistency between the proportion of shareholdings in a subsidiary and the proportion of voting rights:

(c) Chateau Changyu is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 70% of Changyu Chateau's equity interest. Through agreement arrangement, the Company has the full power to control Changyu Chateau's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2022.

(d) AFIP is a limited liability company established by [English Full Name] (“Yantai Dean”) and [English Full Name] (“Beijing Qinglang”). In June 2019, Yantai Dean transferred 1.31% of its equity to Yantai Changyu.After the equity change, the Company holds 91.53% of its equity. Through agreement arrangement, the Company has the full power to control AFIP's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 2 September 2024.

(e) Golden Icewine Valley is a Sino-foreign joint venture established by the Company and a foreign investor, accounting for 51% of Golden Icewine Valley's equity interest. Through agreement arrangement, the Company has the full power to control Golden Icewine Valley's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 31 December 2021.

(f) R&D Centre is a joint venture established by the Company and CADF, accounting for 68.97% of R&D Centre's equity interest. Through agreement arrangement in Note V. 27, the Company has the full power to control R&D Centre's strategic operating, investing and financing policies. The agreement arrangement will be terminated on 22 May 2026. As at 31 December 2019, remaining investment of CADF accounts for 31.03% of the registered capital.

(2) Material non-wholly owned subsidiaries

Name of the Subsidiary	Proportion of ownership interest held by non-controlling interests	Comprehensive income attributable to non-controlling interests for the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
Xinjiang Tianzhu	40%	3,028,510	-	(47,584,138)
Dicot	25%	(1,509,224)	1,366,691	(31,869,464)
Chateau Changyu	30%	-	-	(12,365,016)
Langfang Castel	51%	1,288,873	-	(19,639,108)
AFIP	8%	-	-	(56,409,393)
Golden Icewine Valley	49%	-	-	(33,319,062)
IWCC	15%	(1,697,700)	846,398	(53,931,129)
Australia Kilikanoon Estate	17%	258,494	163,705	(14,810,422)
Total		1,368,953	2,376,794	(269,927,732)

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	Xinjiang Tianzhu		Dicot		Chateau Changyu		Langfang Castel	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	24,829,435	27,390,495	470,219,326	464,421,130	142,525,011	141,298,023	19,021,766	17,659,511
Non-current assets	61,886,751	66,486,795	91,571,444	99,080,668	113,168,202	114,694,168	14,958,223	16,001,682
Total assets	86,716,186	93,877,290	561,790,770	563,501,798	255,693,213	255,992,191	33,979,989	33,661,193
Current liabilities	36,185	-	380,788,880	381,659,315	174,843,671	171,869,662	4,023,101	3,358,322
Non-current liabilities	5,336,114	5,336,114	53,110,213	54,520,937	400,000	-	-	-
Total liabilities	5,372,299	5,336,114	433,899,093	436,180,252	175,243,671	171,869,662	4,023,101	3,358,322
Operating income	-	18,803	289,273,434	327,550,545	87,051,981	121,235,278	-	5,038,281
Net profit	(7,571,274)	(6,902,010)	6,463,473	3,811,465	611,622	3,710,124	(123,706)	(3,479,492)
Total comprehensive inco	(7,571,274)	(6,902,010)	6,036,896	3,376,761	611,622	3,710,124	(123,706)	(3,479,492)
Cash flows from operatin activities	20,457	43,112	(8,744,451)	6,129,923	6,919,481	16,096,447	7,875	673,422

	AFIP		Golden Icewine Valley		Chile Indomita Wine Group		Australia Kilikanoon Estate	
	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	251,829,164	219,973,582	38,234,720	45,194,591	223,722,688	214,784,490	94,473,620	87,634,707
Non-current assets	452,444,880	461,115,089	23,291,375	23,920,890	291,630,115	300,969,342	61,770,599	63,759,866
Total assets	704,274,044	681,088,671	61,526,095	69,115,481	515,352,803	515,753,832	156,244,219	151,394,573
Current liabilities	45,607,611	62,598,545	12,077,206	14,974,458	142,365,749	148,359,328	21,801,347	13,387,942
Non-current liabilities	201,500	-	100,000	100,000	5,152,974	4,976,161	50,741,981	51,893,171
Total liabilities	45,809,111	62,598,545	12,177,206	15,074,458	147,518,723	153,335,489	72,543,328	65,281,113
Operating income	266,347,444	159,369,783	32,223,734	57,290,490	253,543,171	262,104,563	56,399,115	57,648,905
Net profit	30,398,744	16,555,846	(5,764,649)	870,994	16,279,461	15,934,347	463,409	217,869
Total comprehensive inco	30,398,744	16,555,846	(5,764,649)	870,994	10,322,810	17,465,900	(1,477,115)	(1,550,720)
Cash flows from operatin activities	27,503,336	19,627,933	1,655,465	289,782	5,073,408	3,584,648	479,624	(1,522,151)

2 Transactions that cause changes in interests in subsidiaries that do not result in loss of control

(1) Changes in interests in subsidiaries:

Year	Name of the Subsidiary	Proportion of ownership interest held by non-controlling interests acquired	Acquisition date
2019	AFIP	1.31%	21 June 2019
2019	Australia Kilikanoon Estate	2.5%	08 October 2019

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

	AFIP	Australia Kilikanoon Estate
Purchase cost		
- Cash	8,479,444	3,140,108
Total	8,479,444	3,140,108
Less: share of net assets in subsidiaries based on the shares acquired	8,724,476	1,990,057
Difference		
Including: Adjustment on capital reserve	(245,032)	1,150,051

VIII. Risk related to financial instruments

The Group has exposure to the following main risks from its use of financial instruments in the normal course of the Group’s operations:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

The following mainly presents information about the Group’s exposure to each of the above risks and their sources, their changes during the year, and the Group’s objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group’s financial performance. Based on such objectives, the Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

In order to minimise the credit risk, the Group has adopted a policy to ensure that all sales customers have good credit records. According to the policy of the Group, credit review is required for clients who require credit transactions. In addition, the Group continuously monitors the balance of account receivable to ensure there's no exposure to significant bad debt risks. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2019, 20.3% of the Group trade receivables are due from top five customers (31 December 2018: 19.8%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the Company's board when the borrowings exceed certain predetermined levels). The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

Item	2019 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	768,403,432	-	-	-	768,403,432	754,313,744
Accounts payable	570,252,612	-	-	-	570,252,612	570,252,612
Other payables	450,532,485	-	-	-	450,532,485	450,532,485
Long-term loans (including the portion due within one year)	121,077,261	51,214,719	77,814,096	5,577,899	255,683,975	245,718,722
Long-term payables (including the portion due within one year)	36,462,109	36,054,170	106,374,904	55,473,753	234,364,936	225,000,000
Total	1,946,727,899	87,268,889	184,189,000	61,051,652	2,279,237,440	2,245,817,563

Item	2018 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
Short-term loans	701,861,292	-	-	-	701,861,292	688,002,410
Accounts payable	713,572,881	-	-	-	713,572,881	713,572,881
Other payables	608,479,890	-	-	-	608,479,890	608,479,890
Long-term loans (including the portion due within one year)	126,176,001	121,080,909	47,493,128	-	294,750,038	275,421,450
Long-term payables (including the portion due within one year)	36,921,367	36,462,109	107,093,324	90,356,300	270,833,100	259,000,000
Total	2,187,011,431	157,543,018	154,586,452	90,356,300	2,589,497,201	2,544,476,631

3 Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	2019		2018	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	1.1%-2.75%	106,128,600	1.5%-3.8%	173,042,400
Financial liabilities				
- Short-term loans	0.35%-4.9%	(204,313,744)	0.35%-4.9%	(138,002,410)
- Long-term loans (including the portion due within one year)	1%-2.5%	(189,468,722)	1%-3%	(194,171,450)
- Long-term payables (including the portion due within one year)	1.20%	(225,000,000)	1.20%	(259,000,000)
Total		(512,653,866)		(418,131,460)

Variable rate instruments:

Item	2019		2018	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
- Cash at bank	0.3%-1.75%	1,459,595,405	0.3%-1.75%	1,302,543,742
Financial liabilities				
- Short-term loans	LPR	(550,000,000)	LPR	(550,000,000)
- Long-term loans (including the portion due within one year)	90% of 5-year LPR	(56,250,000)	90% of 5-year LPR	(81,250,000)
Total		853,345,405		671,293,742

(2) Sensitivity analysis

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

As at 31 December 2019, based on assumptions above, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB2,273,438 (2018: RMB2,016,667), and net profit by RMB2,273,438 (2018: RMB2,016,667).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

4 Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(1) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

	2019		2018	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand	6,662,525	46,592,414	7,497,971	51,483,850
- USD	6,525,673	45,524,399	7,472,303	51,283,910
- EUR	136,628	1,067,814	25,455	199,753
- HKD	224	201	213	187
Short-term loans	12,490,000	87,132,738	11,000,000	75,495,200
- USD	12,490,000	87,132,738	11,000,000	75,495,200

(2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Balance sheet date mid-spot rate	
	2019	2018	2019	2018
USD	6.8948	6.7158	6.9762	6.8632
EUR	7.7161	7.8113	7.8155	7.8473
HKD	0.8801	0.8464	0.8958	0.8762

(3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar, Euro and Hong Kong dollar at 31 December would have impact on the Group's equity and net profit by the amount shown below. whose effect is in Renminbi and translated using the spot rate at the year-end date:

	Equity	Net profit
31 December 2019		
USD	2,080,417	2,080,417
EUR	(53,391)	(53,391)
HKD	(10)	(10)
Total	2,027,016	2,027,016
31 December 2018		
USD	1,210,565	1,210,565
EUR	(53,391)	(53,391)
HKD	-	-
Total	1,157,174	1,157,174

A 5% weakening of the Renminbi against the US dollar, Euro and Hong Kong dollar at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

IX. Fair value disclosure

All financial assets and financial liabilities held by the Group are carried at amounts not materially different from their fair value at 31 December 2019 and 31 December 2018.

X. Related parties and related party transactions

1 Information about the parent of the Company

Company name	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Percentage of voting rights (%)	Ultimate controlling party of the Company
Changyu Group	Yantai	Manufacturing	50,000,000	50.4%	50.4%	Jointly controlled by Yantai GuoFeng Investment Holding Ltd, ILLVA SARONNO HOLDING SPA, International Finance Corporation and Yantai Yuhua Investment and Development Company Limited.

There are no changes on the registered capital and shareholding percentage / percentage of voting rights of the parent company.

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

3 Information about joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note VII.3.

Joint ventures and associates that have related party transactions with the Group during this year or the previous year are as follows:

Name of entity	Relationship with the Company
L&M Holdings	Joint venture of the Group

4 Information on other related parties

Name of other related parties	Related party relationship
Yantai Changyu Wine Culture Museum Co., Ltd.("Wine Culture Museum")	Controlled by the same parent company
Yantai Changyu International Window of the Wine City Co., Ltd.("Window of the Wine City”)	Controlled by the same parent company
Yantai Shenma Packaging Co., Ltd. (“Shenma Packaging”)	Controlled by the same parent company
Yantai Zhongya Pharmaceutical Tonic Wine Co., Ltd.("Zhongya Pharmaceutical")	Controlled by the same parent company
Yantai Changyu Culture Tourism Production Sales Co., Ltd.(" Culture Sales")	Controlled by the same parent company
Yantai Changyu Culture Tourism Development Co., Ltd.(" Culture Development ")	Controlled by the same parent company
L&M Holdings	Joint ventures
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN (“LIVERSAN”）	Subsidiaries of the joint venture

5 Transactions with related parties

(1) Product procurement

Related parties	Nature of transaction	2019	2018
Shenma Packaging	Product procurement	133,587,430	173,238,289
Zhongya Pharmaceutical	Product procurement	1,244,991	15,690,930
Wine Culture Museum	Product procurement	10,832,751	16,784,711
Window of the Wine City	Product procurement	8,556,698	7,913,342
Culture sales	Product procurement	573,849	35,857
Culture development	Product procurement	2,820,545	-
Mirefleurs	Product procurement	6,429,542	-
L&M Holdings	Product procurement	1,632,941	-
Total		165,678,747	213,663,129

(2) Sales of goods

Related parties	Nature of transaction	2019	2018
Culture development	Sales of goods	9,592,510	-
Wine Culture Museum	Sales of goods	8,305,228	23,515,379
Window of the Wine City	Sales of goods	7,723,602	13,821,555
Zhongya Pharmaceutical	Sales of goods	4,474,004	4,552,269
Culture sales	Sales of goods	3,840,804	2,914,686
Shenma Packaging	Sales of goods	347,453	348,247
Total		34,283,601	45,152,136

(3) Leases

(a) As the lessor

Name of lessee	Type of assets leased	Lease income recognised in 2019	Lease income recognised in 2018
Shenma Packaging	Offices and plants	1,492,550	1,478,982
Zhongya Pharmaceutical	Offices and plants	522,936	518,182
Total		2,015,486	1,997,164

(b) As the lessee

Name of lessor	Type of assets leased	Lease expense recognised in 2019	Lease expense recognised in 2018
Changyu Group	Office buildings	1,612,118	1,538,840
Changyu Group	Offices and plants	1,394,762	1,331,364
Changyu Group	Offices and plants	4,184,286	3,994,091
Total		7,191,166	6,864,295

(4) Remuneration of key management personnel

Item	2019	2018
Remuneration of key management personnel	12,297,689	13,102,005

(5) Other related party transactions

Related parties	Nature of transaction	Note	2019	2018
Changyu Group	Royalty	(a)	35,938,014	73,976,395
Changyu Group	Royalty deducted in the previous years	(a)	(218,649,636)	-
Changyu Group	Patent fee		-	50,000
Total			(182,711,622)	74,026,395

(a) Contract of trademarks usage

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Company may use certain trademarks of Changyu Group Company, which have been registered with the PRC Trademark Office. An annual royalty fee at 2% of the Group's annual sales is payable to Changyu Group. The license is effective until the expiry of the registration of the trademarks.

According to the above royalty agreement, Changyu Group collected a total of RMB576,507,809 for royalty from 2013 to 2019, of which 51% was used to promote trademarks such as Changyu and the product of this contract, totalling RMB294,018,093. The amount is used for promotion of Changyu and other trademarks and the products of this contract, totalling RMB62,250,368, the difference is RMB231,768,615.

On 18 May 2019, the general meeting of shareholders approved the proposal of the amendment to the royalty agreement. Article 6.1 of the royalty agreement with Changyu Group was amended to: During the validity period of this contract, the Group pays Changyu Group royalty on an annual basis. The royalty is calculated based on 0.98% of the sales volume of the Group 's contract products using this trademark. The article is amended to: The royalty paid to the Changyu Group by the Group shall not be used to promote this trademark and the contract products.

In addition, in accordance with agreement the Group signed with Changyu Group in November 2019, Changyu Group promised to offset the difference of RMB231,768,615 above with the royalty for four years, i.e. from 2019 to 2022.If it is not sufficient for deduction, the rest will be repaid in a one-off manner in 2023. If there is surplus, the surplus part of the royalty will be charged from the year when the surplus occurs.

As at 31 December 2019, the Group offset the royalty for the year of RMB182,711,622, including the royalty of RMB35,938,014 occurred in 2019 and the deduction of the previous year's sales expenses of RMB218,649,636 (exclusive of tax).

6 Receivables from and payables to related parties

Receivables from related parties

Item	Related party	2019		2018	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Zhongya Pharmaceutical	4,292,386	909,935	2,768,391	-
Accounts receivable	Shenma Packaging	-	-	17,137	-
Accounts receivable	Window of the Wine City	1,610,485	633,980	1,911,157	-
Other non-current assets	Changyu Group	193,674,320	-	-	-
Other receivables	Shenma Packaging	813,400	-	813,400	-

Payables to related parties

Item	Related party	2019	2018
Accounts payable	Shenma Packaging	39,893,538	55,366,785
Accounts payable	Zhongya Pharmaceutical	1,024,310	6,722,667
Accounts payable	Wine Culture Museum	4,874,963	4,646,731
Accounts payable	Window of the Wine City	3,758,054	4,789,600
Accounts payable	Culture sales	297,956	-
Accounts payable	Culture development	142,610	-
Other payables	Shenma Packaging	450,000	450,000
Other payables	Changyu Group	-	78,414,978

XI. Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

XII. Commitments and contingencies

1 Significant commitment

(1) Capital commitments

Item	2019	2018
Long-term assets acquisition commitment	679,980,000	996,675,000
Total	679,980,000	996,675,000

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Group's properties were payable as follows:

Item	2019	2018
Within 1 year (inclusive)	17,756,000	20,576,000
Over 1 year but within 2 years (inclusive)	16,189,000	11,757,000
Over 2 years but within 3 years (inclusive)	9,757,000	10,064,000
Over 3 years	89,550,940	84,095,000
Total	133,252,940	126,492,000

2 Contingencies

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

XIII. Subsequent events

1 Distribution of dividends on ordinary shares approved after the balance sheet date

According to the proposal of the Board of Directors on 22 April 2020, the Company intends to distribute cash dividend totaling RMB479,824,800 to all shareholders of 685,464,000 capital shares for the year ended 31 December 2019 on the basis of RMB7.0 (including tax) for every 10 shares. The proposal is subject to the approval by the Shareholders' meeting. This distribution of profit in cash has not been recognised as a liability at the balance sheet date.

2 Impact of COVID-19

Since the outbreak of COVID-19in January 2020, the Company has been proactively performing prevention and control measures internally. The Company has also fulfilled its social responsibility while conducting prevention and control measures and operation. After the outbreak, the Company has analysed the possible impact, and sorted out all business objectives and adjusted operation contingency plans to make sure the normal business operations.

The Company will closely follow the development of COVID-19, assess and proactively react to the possible impacts on the financial position and financial performance etc.

XIV. Other significant items

1 Segment reporting

The Group is principally engaged in the production and sales of wine, brandy, and sparkling wine in China, France, Spain, Chile and Australia. In accordance with the Group's internal organisation structure, management requirements and internal reporting system, the Group's operation is divided into four parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2019, over 89% of revenue, more than 98% of profit and over 92% of non-current assets derived from China / are located in China. Therefore, the Group does not need to disclose additional segment report information.

XV. Notes to the Company's financial statements

1 Accounts receivable

(1) Accounts receivable by customer type are as follows:

Type	31 December 2019	31 December 2018
Amounts due from related parties	2,589,936	1,447,973
Sub-total	2,589,936	1,447,973
Less: Provision for bad and doubtful debts	601,610	-
Total	1,988,326	1,447,973

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

Ageing	2019	2018
Within 1 year (inclusive)	2,019,936	1,447,973
Over 1 year but within 2 years (inclusive)	570,000	-
Sub-total	2,589,936	1,447,973
Less: Provision for bad and doubtful debts	601,610	-
Total	1,988,326	1,447,973

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

(3) Accounts receivable by provisioning method

(a) Assessment of ECLs on accounts receivable in 2019:

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of overdue days and the loss given default. According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

	Loss given default	Carrying amount at the end of the year	Impairment loss at the end of the year
Current	0.8%	1,449,936	12,179
Overdue for 1 to 30 days	3.4%	570,000	19,431
Overdue for 330 to 360 days	100.0%	570,000	570,000
Total	23.2%	2,589,936	601,610

The loss given default is measured based on the actual credit loss experience in the past 12 months, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(b) Impairment of account receivables in 2018

Under previous financial instruments standards, provision for impairments is mde when there is objective evidence of impairment.

(4) Accounts receivable by debtor at the end of the year:

Name	Relationship with the Group	Balance of account receivable	Ageing	Percentage of total receivables	Provision for bad and doubtful debts
Zhongya Pharmaceutical	Other related parties of the Company	2,589,936	Within 1 year	100%	601,610

2 Receivables under financing

Item	Note	2019	2018
Bills receivable	(1)	41,679,635	-
Total		41,679,635	-

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

As at 31 December 2019, there was no pledged bills receivable (31 December 2018: Nil).

(2) Outstanding endorsed bills that have not matured at the end of the year

Item	Amount derecognised at year end
Bank acceptance bills	65,303,181
Total	65,303,181

As at 31 December 2019, bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB65,303,181 (31 December 2018: RMB94,755,124). The notes are used for payment to suppliers. The Company believes that due to good reputation of bank, the risk of notes not accepting by bank on maturity is very low, therefore derecognise the note receivables endorsed. If the bank is unable to pay the notes on maturity, according to the relevant laws and regulations of China, the Company would undertake limited liability for the notes.

3 Other receivables

	Note	31 December 2019	31 December 2018
Interest receivable	(1)	90,355	254,088
Dividends receivable	(2)	200,000,000	500,000,000
Others	(3)	386,334,603	525,389,268
Total		586,424,958	1,025,643,356

(1) Interest receivable

(a) Interest receivable by category:

Item	31 December 2019	31 December 2018
Interest receivable on bank deposits	90,355	254,088
Total	90,355	254,088

(b) Significant overdue interest: N/A

(2) Dividends receivable

Item	31 December 2019	31 December 2018
Dividends to subsidiaries	200,000,000	500,000,000
Total	200,000,000	500,000,000

(3) Others

(a) Others by customer type:

Customer type	31 December 2019	31 December 2018
Amounts due from subsidiaries	385,328,319	523,579,831
Amounts due from related parties	813,440	813,440
Others	192,844	995,997
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

(b) The ageing analysis is as follows:

Ageing	2019	2018
Within 1 year (inclusive)	386,314,603	525,362,872
Over 1 year but within 2 years (inclusive)	-	26,396
Over 2 years but within 3 years (inclusive)	20,000	-
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

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

(c) Others by method of provisioning

Category	2019					2018				
	Book value		Provision for bad and doubtful debts		Carrying amount	Book value		Provision for bad and doubtful debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Individual assessment										
- Total other receivables	-	-	-	-	-	525,389,268	100	-	-	525,389,268
Collective assessment										
- Amounts due from subsidiaries	385,328,319	99.7	-	-	385,328,319	523,579,831	99.7	-	-	523,579,831
- Amounts due from related parties	813,440	0.2	-	-	813,440	813,440	0.1	-	-	813,440
- Amounts due from third parties	192,844	0.1	-	-	192,844	995,997	0.2	-	-	995,997
Total	386,334,603	100.0	-	-	386,334,603	525,389,268	100	-	-	525,389,268

(d) Movements of provisions for bad and doubtful debts

As at 31 December 2019, no bad and doubtful debt provision was made for other receivables (31 December 2018: Nil).

As at 31 December 2019, the Company has no other receivables written off (31 December 2018: Nil).

(e) Others categorised by nature

Nature of other receivables	2019	2018
Amounts due from subsidiaries	385,328,319	523,579,831
Amounts due from related parties	813,440	813,440
Others	192,844	995,997
Sub-total	386,334,603	525,389,268
Less: Provision for bad and doubtful debts	-	-
Total	386,334,603	525,389,268

(f) Five largest others-by debtor at the end of the year

Debtor	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of ending balance of others (%)	Ending balance of provision for bad and doubtful debts
Sales Company	Amounts due from subsidiaries	292,380,248	Within 1 year	75.7%	-
R&D Centre	Amounts due from subsidiaries	65,016,104	Within 1 year	16.8%	-
Laizhou Sales	Amounts due from subsidiaries	12,469,834	Within 1 year	3.2%	-
Dicot	Amounts due from subsidiaries	3,692,043	Within 1 year	1.0%	-
AFIP	Amounts due from subsidiaries	1,680,926	Within 1 year	0.4%	-
Total		375,239,155		97.1%	

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	2019			2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	7,432,422,621	-	7,432,422,621	7,420,803,069	-	7,420,803,069
Total	7,432,422,621	-	7,432,422,621	7,420,803,069	-	7,420,803,069

(2) Investments in subsidiaries:

Subsidiary	Balance at the beginning of the year	Additions during the year	Decrease during the year	Balance at the end of the year
Xinjiang Tianzhu	60,000,000	-	-	60,000,000
Kylin Packaging	23,176,063	-	-	23,176,063
Chateau Changyu	28,968,100	-	-	28,968,100
Pioneer International	3,500,000	-	-	3,500,000
Ningxia Growing	36,573,247	-	-	36,573,247
National Wines	2,000,000	-	-	2,000,000
Golden Icewine Valley	30,440,500	-	-	30,440,500
Chateau Beijing	579,910,000	8,479,444	-	588,389,444
Sales Company	7,200,000	-	-	7,200,000
Langfang Sales	100,000	-	-	100,000
Langfang Castel	19,835,730	-	-	19,835,730
Wine Sales	4,500,000	-	-	4,500,000
Shanghai Marketing	300,000	-	-	300,000
Beijing Sales	850,000	-	-	850,000
Jingyang Sales	100,000	-	-	100,000
Jingyang Wine	900,000	-	-	900,000
Ningxia Wine	222,309,388	-	-	222,309,388
Chateau Ningxia	453,463,500	-	-	453,463,500
Chateau Tinlot	212,039,586	-	-	212,039,586
Chateau Shihezi	812,019,770	-	-	812,019,770
Chateau Changan	803,892,258	-	-	803,892,258
R&D Centre	3,288,906,445	-	-	3,288,906,445
Huanren Wine	22,200,000	-	-	22,200,000
Wine Sales Company	-	-	-	-
Francs Champs	236,025,404	-	-	236,025,404
Dicot	190,150,544	-	-	190,150,544
Chile Indomita Wine Group	274,248,114	-	-	274,248,114
Australia Kilikanoon Estate	107,194,420	3,140,108	-	110,334,528
Total	7,420,803,069	11,619,552	-	7,432,422,621

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

5 Operating income and operating costs

Item	2019		2018	
	Income	Cost	Income	Cost
Principal activities	738,011,458	653,860,504	874,292,088	772,497,769
Other operating activities	2,844,904	1,643,559	2,154,982	1,989,262
Total	740,856,362	655,504,063	876,447,070	774,487,031

Details of operating income:

	2019	2018
Operating income from principal activities		
- Sale of goods	738,011,458	874,292,088
Sub-total	738,011,458	874,292,088
Income from other business		
- Rental income	2,844,904	2,154,982
Total	740,856,362	876,447,070

6 Investment income

Item	2019	2018
Income from long-term equity investments accounted for using cost method	621,620,723	964,128,659

7 Transactions with related parties

(1) Product procurement

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Product procurement	161,271,826	209,808,816
Other related parties of the Company	Product procurement	60,154,605	88,897,126
Total		221,426,431	298,705,942

(2) Sales of goods

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Sales of goods	731,092,089	867,995,960
Other related parties of the Company	Sales of goods	9,764,273	8,451,110
Total		740,856,362	876,447,070

(3) Guarantee

The Company as the guarantor

Guarantee holder	Amount of guarantee	Inception date of guarantee	Maturity date of guarantee	Guarantee expired (Y/N)
R&D Centre	500,000,000	08 March 2017	08 March 2022	No
Australia Kilikanoon Estate	17,000,000	13 December 2018	13 December 2023	No
Total	517,000,000			

(4) Sale of fixed assets

Related parties of the Company	Nature of transaction	2019	2018
Subsidiary of the parent company	Sale of fixed assets	-	134,445
Total		-	134,445

(5) Interest income occupied by capital

Related parties	Nature of transaction	2019	2018
Subsidiary of the parent company	Interest income occupied by capital	-	35,823,556
Total		-	35,823,556

(6) Leases

(a) As the lessor

Name of lessee	Type of assets leased	Lease income recognised in 2019	Lease income recognised in 2018
Other related parties of the Company	Offices and plants	2,015,486	1,997,164
Total		2,015,486	1,997,164

(b) As the lessee

Name of lessor	Type of assets leased	Lease expense recognised in 2019	Lease expense recognised in 2018
Other related parties of the Company	Office buildings	1,394,762	1,331,364
Total	Office buildings	1,394,762	1,331,364

(8) Other related party transactions

Related parties	Nature of transaction	2019	2018
Changyu Group	Patent fee	-	50,000
Total		-	50,000

8 Receivables from and payables to related parties

Receivables from related parties

Item	Related party	2019		2018	
		Book value	Provision for bad and doubtful debts	Book value	Provision for bad and doubtful debts
Accounts receivable	Other related parties of the Company	2,589,936	601,610	1,447,973	-
Other receivables	Subsidiary of the parent company	385,328,319	-	523,579,831	-
Other receivables	Other related parties of the Company	813,440	-	813,440	-
Other non-current assets	Subsidiary of the parent company	1,427,700,000	-	972,700,000	-

Payables to related parties

Item	Related party	2019	2018
Accounts payable	Other related parties of the Company	11,630,361	28,892,583
Other payables	Subsidiary of the parent company	381,487,360	585,044,038
Other payables	Other related parties of the Company	450,000	450,000

XVI. Non-recurring profit and loss statement in 2019

	Item	Amount	Note
(1)	Profit and loss from disposal of non-current assets	6,272,676	Gain from disposal of equity investment of Mirefleurs is RMB 6,233,661.
(2)	Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	84,837,581	
(3)	Other items qualified as extraordinary gain and loss	218,649,636	Detail of royalty deducted in the previous years, see Note X. 5 (5) (a)
(4)	Other non-operating income and expenses besides items above	7,298,479	
	Sub-total	317,058,372	
(5)	Tax effect	(79,367,893)	
(6)	Effect on non-controlling interests after taxation	(30,661)	
	Total	237,659,818	

Note: Extraordinary gain and loss items (1) to (4) listed above are presented in the amount before taxation.

XVII. Return on net assets and earnings per share

In accordance with “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

2019

Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company’s ordinary equity shareholders	11.30	1.65	1.65
Net profit excluding extraordinary g and loss attributable to the Company’s ordinary equity shareholders	8.92	1.30	1.30

2018

Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company’s ordinary equity shareholders	11.23	1.52	1.52
Net profit excluding extraordinary g and loss attributable to the Company’s ordinary equity shareholders	10.40	1.41	1.41