

Stock Code: 000596, 200596

Stock Name: Gujing Distillery, Gujing Distillery-B

Announcement No. 2020-005

# ANHUI GUJING DISTILLERY COMPANY LIMITED

## ANNUAL REPORT 2019 (SUMMARY)

### Part I Important Notes

This Summary is based on the full text of the 2019 Annual Report of Anhui Gujing Distillery Company Limited (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial position and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders for the Reporting Period:

Applicable  Not applicable

Bonus issue from capital reserves:

Yes  No

The Board has approved a final dividend plan for the ordinary shareholders as follows: based on the Company’s total shares on 31 December 2019, a cash dividend of RMB15.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period:

Applicable  Not applicable

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

### Part II Key Corporate Information

#### 1. Stock Profile

Stock name	Gujing Distillery, Gujing Distillery-B	Stock code	000596, 200596
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Ye Changqing	Mei Jia	
Address	Gujing Town, Bozhou City, Anhui Province, P.R.China	Gujing Town, Bozhou City, Anhui Province, P.R.China	

Fax	(0558) 5710099	(0558) 5710099
Tel.	(0558) 5712231	(0558) 5710057
Email address	gjzqb@gujing.com.cn	gjzqb@gujing.com.cn

## 2. Principal Activities or Products in the Reporting Period

The Company primarily produces and markets liquor and spirits.

As one of China's traditional top eight liquor brands, the Company is the first listed liquor and spirits company with both A and B stocks. It is located in Bozhou City, Anhui Province in China, the hometown of historic figures Cao Cao and Hua Tuo, as well as one of the world's top 10 liquor-producing areas. No changes have occurred to the main business of the Company in the Reporting Period. As the main product of the Company, the Gujing spirit originated as a "JiuYunChun Spirit", together with its making secrets, being presented as a hometown specialty by Cao Cao, a famous warlord in China's history, to Emperor Han Xiandi (name: Liu Xie) in A.D. 196, and was continually presented to the royal house since then. With crystalline liquid, rich aroma, a fine flavor and a lingering aftertaste, the Gujing spirit has helped the Company win four national distilled spirit golden awards, a golden award at the 13<sup>th</sup> SIAL Paris, the title of China's "Geographical Indication Product", the recognition as a "Key Cultural Relics Site under the State Protection", the recognition with a "National Intangible Cultural Heritage Protection Project", a Quality Award from the Anhui provincial government, a title of "National Quality Benchmark", among other honors.

## 3. Key Financial Information

### (1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

Unit: RMB

	2019	2018	2019-over-2018 change (%)	2017
Operating revenue (RMB)	10,416,961,584.23	8,686,140,336.89	19.93%	6,968,325,048.55
Net profit attributable to the listed company's shareholders (RMB)	2,097,527,739.86	1,695,231,643.05	23.73%	1,148,740,644.93
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	1,891,097,157.37	1,638,204,454.34	15.44%	1,069,457,368.70
Net cash generated from/used in operating activities (RMB)	192,447,063.45	1,440,881,285.95	-86.64%	930,914,712.78
Basic earnings per share (RMB/share)	4.17	3.37	23.74%	2.28
Diluted earnings per share (RMB/share)	4.17	3.37	23.74%	2.28
Weighted average return on equity (%)	25.55%	24.03%	1.52%	19.09%
	31 December 2019	31 December 2018	Change of 31 December 2019 over 31 December 2018 (%)	31 December 2017
Total assets (RMB)	13,871,297,363.16	12,509,928,449.72	10.88%	10,152,862,119.05
Equity attributable to the listed company's shareholders (RMB)	8,944,111,764.44	7,601,984,024.58	17.65%	6,459,078,378.38

### (2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
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Operating revenue	3,668,502,474.92	2,319,610,524.17	2,214,767,350.88	2,214,081,234.26
Net profit attributable to the listed company's shareholders	783,389,904.73	464,926,409.28	493,294,846.62	355,916,579.23
Net profit attributable to the listed company's shareholders before exceptional gains and losses	749,094,364.21	416,776,614.89	444,504,344.99	280,721,833.28
Net cash generated from/used in operating activities	1,010,701,440.91	31,032,307.92	1,199,637,755.93	-2,048,924,441.31

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes  No

#### 4. Share Capital and Shareholder Information at the Period-End

##### (1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders at the period-end	21,204	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	29,696	Number of preferred shareholders with resumed voting rights at the period-end	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge or frozen		
					Status	Shares	
ANHUI GUJING GROUP COMPANY LIMITED	State-owned legal person	53.89%	271,404,022		In pledge	114,000,000	
GAOLING FUND,L.P.	Foreign legal person	2.47%	12,446,408				
AGRICULTURAL BANK OF CHINA- E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	Other	2.45%	12,324,779				
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	1.96%	9,871,986				
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	1.72%	8,672,976				
INDUSTRIAL AND	Other	1.49%	7,500,000				

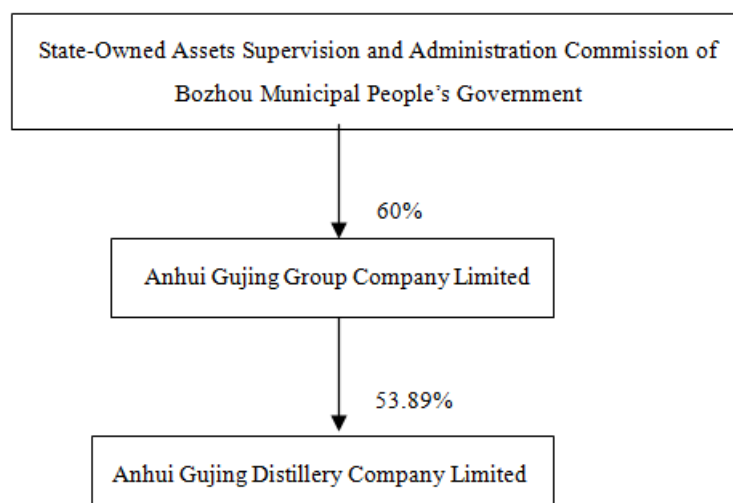
COMMERCIAL BANK OF CHINA LIMITED-INVESCO GREAT WALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND						
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	Foreign legal person	1.40%	7,068,861			
CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	State-owned legal person	1.30%	6,543,600			
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	1.12%	5,657,150			
NORGES BANK	Foreign legal person	1.03%	5,211,411			
Related or acting-in-concert parties among the shareholders above	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.					
Shareholders involved in securities margin trading (if any)	N/A					

**(2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them**

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

### (3) Ownership and Control Relations between the Actual Controller and the Company



## 5. Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part III Operating Performance Discussion and Analysis

### 1. Business Overview of the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

In 2019, under the guidance of the spirit of the 19<sup>th</sup> National Congress of the Communist Party of China and President Xi Jinping's thought on socialism with Chinese characteristics for a new era, the Company further implemented various guidelines and policies. Upholding the values of "Be Honest, Offer Quality Spirits, Be Stronger and Be Helpful to the Society", the Company beefed up the implementation of the new strategy of "Digitalization, Internationalization, and Stricter Compliance with Law and Regulations", as well as promoted the "Nie Guangrong Spirit". It further improved corporate management, motivated employees, accelerated transformation and upgrading, further implemented the "Distilled Spirits 5.0" strategy, and successfully achieved all the operating objectives.

For 2019, the Company recorded operating revenue of RMB 10.417 billion, up 19.93% compared to 2018; a net profit attributable to the Company as the parent of RMB 2.098 billion, rising 23.73% from the year earlier; earnings per share of RMB4.17, 23.74% higher than 2018; and net cash generated from operating activities of RMB192 million, going down 86.64% on a year-on-year basis. Meanwhile, the brand value reached a new high of RMB146.98 billion.

#### The Company's Overall Operation During the Reporting Period

##### 1. Strengthen market construction to continuously rise the brand influence

By strengthening the market construction, the Company further enhanced the organization-driven. Focused on systemic competition, the Company established a new marketing mechanism of upstream-downstream linkage, information exchange, quick response, and overall coordination. The brand construction has been strengthened to gradually increase brand influence.

### **2. Accelerate the transformation of the Company and continuously improve the management**

The Company stands firmly on Strategy 5.0 and promotes the depth of digital transformation. During the Reporting Period, the digital marketing, Gujing SAP ERP and CRM projects were completed, and at the same time, these projects were successfully switched online. The digital operation structure system with digital marketing (CRM) in the front line and SAP ERP as the main channel in the backstage has been completed to lay a foundation for a new digital Gujing.

### **3. Stably optimize quality control and boost the application of scientific research transformation**

The Company strengthened the management of production process, established a sound quality control system and standard, optimized the inspection project of raw and auxiliary materials into the factory, standardized inspection standards and inspection operations, improved supply efficiency, and avoided behavioral risks. The Company's two technological innovation achievements have reached the international leading level, one scientific achievement has reached the domestic leading level, one scientific achievement has won a prize awarded by China Light Industry Council, one has won the third prize of Provincial Science and Technology Award, and two scientific research achievements have been transformed within the company. Gujing Distillery Product Design Center was recognized by the "National Industrial Design Center" and "China Light Industry Engineering Technology Research Center".

### **4. In-depth collaboration between production and sales ensures a prominent effect of balanced production**

The Company implemented a coordinate mechanism between production and sales to continuously improve production efficiency and supply satisfaction. A logistics system and a planting model with high-quality raw grain base have been built to ensure the quality of raw materials and reduce supply risks.

### **5. Strictly abide by the bottom line of environmental protection and constantly improve the environmental protection infrastructure**

The Company continued to increase investment in environmental protection, and achieved the "Four Goals" for safe production throughout 2019. The Company's main pollutant indicators for environmental protection was stable and reached the standard, which effectively controlled the energy loss rate and equipment failure rate. In the whole year, all the main environmental pollution discharge pollutants met the standard, and no environmental pollution accidents occurred. The company was successfully selected into the "National Green Factory" list.

### **6. Adhere to the guidance of the Party building and promote the "Nie Guangrong Spirit"**

The Company implemented an in-depth educational activity on the theme of "Remain true to our original aspiration and keep our mission firmly in mind". According to the arrangement of the Central Committee, the Provincial Party Committee and the Municipal Party Committee, the Company resolutely follows the main line of learning and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era. Focused on the general requirements of "remain true, fulfill the Mission, find the reasons of falling behind, and emphasize the implementation", the Company spared no effort to study and education, investigation and research, inspection of problems, rectification and implementation throughout the entire process and yielded prominent fruits. During this period, the Company held a grand activity "Report on Comrade Nie Guangrong's Advanced Deeds" in the Great Hall of the People in Beijing, making "Nie Guangrong Spirit" well spread and promoted.

### **7. During the Reporting Period, the Company still had the following pressures and inadequacies**

- (1) The complex macroeconomic environment has brought many uncertainties to the development of the liquor industry.
- (2) The level of lean management of the Company falls behind the pace of the Company's development.
- (3) The system, mechanism and the vitality of the Company need to be further activated.
- (4) Bold innovation is required in cultivating talents, inspiring talents, and retaining talents by system.

## **2. Significant Change to Principal Activities in the Reporting Period**

Yes  No

### 3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Applicable  Not applicable

Unit: RMB

Product category	Operating revenue	Operating profit	Gross profit margin	YoY change in operating revenue (%)	YoY change in operating profit (%)	YoY change in gross profit margin (%)
Distilled spirits	10,164,144,471.76	2,713,088,216.06	77.79%	19.30%	20.38%	-0.24%

### 4. Business Seasonality that Calls for Special Attention

Yes  No

### 5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

Applicable  Not applicable

### 6. Possibility of Listing Suspension or Termination

Applicable  Not applicable

### 7. Matters Related to Financial Reporting

#### (1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

Applicable  Not applicable

Contents and reasons	Approval procedures	Notes
<p>The Ministry of Finance issued Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (CK [2017] No. 7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (CK [2017] No. 8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (CK [2017] No. 9) and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instrument (CK [2017] No. 14). The Company started to implement the abovementioned new standards from 1 January 2019. According to the above requirements, the Company implemented the above new standards governing financial instrument from 1 January 2019, and changed relevant accounting polices in line with the stipulations of the above new standards governing financial instrument. In accordance with the relevant requirements of new standard governing financial instrument, the retroactive adjustment was not conducted to the same</p>	<p>Reviewed and approved on the 9<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors and the 8<sup>th</sup> Meeting of the 8<sup>th</sup> Supervisory Committee</p>	<p>Refer to Announcement on Changes in Accounting Policy on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> disclosed on the same date for details.</p>

<p>period of last year, and no impact the changes of accounting policies will occur to the financial situation and operating results in the prior period.</p>		
<p>On 30 April 2019, Notes of Revising and Printing the Format of 2019 General Enterprises Financial Statement (CK [2019] No. 6) (hereinafter referred to as “Notes of Revising”) was issued by the Ministry of Finance, making partial amendments to the format of general enterprises financial statements, stipulated that the format is applicable to the interim and annual financial statements in and after 2019 of non-financial business executing ASBE and the regulations of Notes of Revising. The Company belongs to the enterprise executed the new standards governing financial instrument but not new standards governing revenue and leases, and shall adjust correspondingly to the format of financial statements and part of course presentation combined with the requirements of Notes of Revising.</p>	<p>Reviewed and approved on the 10<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors and the 9<sup>th</sup> Meeting of the 8<sup>th</sup> Supervisory Committee</p>	<p>Refer to Announcement on Changes in Accounting Policy on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> disclosed on the same date for details.</p>

**(2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period**

Applicable  Not applicable

No such cases.

**(3) YoY Changes to the Scope of Consolidated Financial Statements**

Applicable  Not applicable

Name of subsidiary	Principal place of business	registered	Nature of the business	stake (%)		Make way
				directly	indirect	
Hubei Yellow Crane Tower beverage co. LTD	Hubei xianning	Hubei xianning	Production and manufacturing		51.00	Set up