Yantai Changyu Pioneer Wine Co., Ltd.

2021 Annual Report

Final 2022-01

April 2022

Contents

I. Important Notice, Content and Definition

The board of directors, the board of Supervisors, directors, supervisors and senior executives of the Company guarantee the truthfulness, accuracy and completeness of the contents contained in the report with no false records, misleading statements or significant omissions, and undertake individual and joint legal liabilities.

Mr. Zhou Hongjiang (Person in charge of the Company), Mr. Jiang Jianxun (Person in charge of accounting work) and Ms. Guo Cuimei (Person in charge of accounting organ & Accountant in charge) assure the truthfulness, accuracy and completeness of the financial report in the annual report.

All directors have personally attended the meeting for deliberating the annual report.

Except for the following directors, other directors attended this board meeting for reviewing this annual report in person

Name of director not attending the meeting personally	Position of director not attending the meeting personally	Reason of not attending the meeting personally	Name of entrustee
Aldino Marzorati	Director	Due to time conflict of work	Zhou Hongjiang
Stefano Battioni	Director	Due to time conflict of work	Leng Bin
Enrico Sivieri	Director	Due to time conflict of work	Zhou Hongjiang

Forward-looking statements such as future plans and development strategies covered in this report do not constitute a substantial commitment of the Company to investors. Investors are advised to pay attention to investment risks.

About significant risks that may be faced in production and operation process, please refer to "(5) Potential Risks" of "11. Expectation for the Company's Future Development" in the "III. Management Discussion and Analysis" of this report. Investors are advised to read carefully and pay attention to investment risks.

The Company's preliminary scheme of profit distribution deliberated and passed by the board of directors this time is shown as following: Based on the Company's total 685,464,000 shares, the Company plans to pay CNY4.5 (including tax) in cash as dividends for every 10 shares to all shareholders and send 0 bonus share (including tax); capital reserve will not be transferred to equity.

Reference Documents

(1)The original of Annual Report autographed by the chairman.
(2)The Financial Statements autographed and signed by the chairman, chief accountant and accountants in charge.
(3)The *Prospectus* and *Public Offering Announcement* for Stock B in 1997; The *Prospectus* and *The Shares' Change & Public Offering Announcement* for Stock A in 2000.
(4) The originals of all documents and announcements that the Company made public during the report period in the newspapers designated by China Securities Regulatory Commission.

Definition

Definition Item	Refers to	Definition Content
Company/The Company	Refers to	Yantai Changyu Pioneer Wine Co., Ltd.
Changyu Group/Controlling Shareholder	Refers to	Yantai Changyu Group Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
KPMG Huazhen	Refers to	KPMG Huazhen LLP (Limited Liability Partnership)
CNY	Refers to	Chinese Yuan

II. Brief Introduction for the Company and Main Financial Indicators

1. Company's information

Stock Abbreviation	Changyu A, Changyu B	Stock Code	000869, 200869
Stock Abbreviation after Alteration	-		
Place of Stock Listing	Shenzhen Stock Exchange		
Legal Name in Chinese	烟台张裕葡萄酿酒股份有限公司		
Abbreviation of Chinese Name	张裕		
Legal Name in English	YANTAI CHANGYU PIONEER WINE COMPANY LIMITED		
Abbreviation of English Name	CHANGYU		
Legal Representative	Zhou Hongjiang		
Registered Address	56 Dama Road, Yantai, Shandong, China		
Postal Code of Registered Address	264000		
Historical Change in Registered Address	No		
Office Address	56 Dama Road, Yantai, Shandong, China		
Postal Code of Office Address	264000		
Website	http://www.changyu.com.cn		
E-mail	webmaster@changyu.com.cn		

2. Contact person and information

	Secretary to the Board of Directors	Authorized Representative of Securities Affairs
Name	Mr. Jiang Jianxun	Mr. Li Tingguo
Address	56 Dama Road, Yantai, Shandong, China	56 Dama Road, Yantai, Shandong, China
Tel.	0086-535-6602761	0086-535-6633656
Fax.	0086-535-6633639	0086-535-6633639
E-mail	jiangjianxun@changyu.com.cn	stock@changyu.com.cn

3. Information disclosure and filing location

Stock exchange website for disclosing annual report	Shenzhen Stock Exchange (http://www.szse.cn)
Media name and website for disclosing annual report	*China Securities Newspaper* , *Securities Times*, *Hong Kong Commercial Daily* and CNINFO website (http://www.cninfo.com.cn)
Filing location of the Company's annual report	Board of Directors' Office of the Company, 56 Dama Road, Yantai, Shandong

4. Registration changes

Organization Code	913700002671000358
Changes for the main businesses of the Company since it was listed	The business scope determined by the Company when it was established on September 18th, 1997 is production, processing and sales of wine, distilled liquor, healthy liquor, fruit liquor, non-alcohol beverage, fruit jam, packing material and winemaking machine.On April 17th, 2008, approved by the 2007 Shareholders' Meeting, the Company's business scope was changed to production, processing and sales of wine, distilled liquor, medicinal liquor, fruit liqueur, non-alcohol beverage, fruit jam, packing material and winemaking machines; licensed import and export. On May12th, 2010, approved by the 2009 Shareholders' Meeting, the Company's business scope was changed to production, processing and sales of wine, distilled liquor, medicinal liquor, fruit liqueur, non-alcohol beverage, fruit jam, packing material and its products and winemaking machinery; licensed import and export; external investment subject to national policy. On September 23rd, 2016, approved by the 2016 annual 1st Interim Shareholders' Meeting, the Company's business scope was changed to production of wine and fruit wine (bulk wine, processing and filling); production of blending liquor and other blending liquors (grape liqueur); production of other liquors (other distilled liquors); production, processing and sales of packing material and winemaking machines; grape plantation and procurement; tourism resources development (excluding tourism); packaging design; activity of building rental; licensed import and export; warehouse business; external investment subject to national policy.
Changes for all previous controlling shareholders	No

5. Other relevant information

The accounting firm appointed by the Company

Name	KPMG Huazhen LLP
Address	Level 8, No.2 East Wing of Dongfang Square, No.1 East Chang'an Street, Dongcheng District, Beijing
Name of signatory accountants	Ms. Wang Ting, Ms. Xu Weiran

The sponsor institution appointed by the Company to perform the duty of continuous supervision during the report period

□Available ☑Not available

The financial adviser appointed by the Company to perform the duty of continuous supervision during the report period

□Available ☑Not available

6. Key accounting data and financial indicators

Whether the Company needs to retrospectively adjust or restate the accounting data of previous fiscal years.

☐Yes ☑No

	2021	2020	Increase/decrease compared with last year (%)	2019
Operating revenue (CNY)	3,953,067,583	3,395,402,001	16.42%	5,074,025,899
Net profit attributed to shareholders of the listed company (CNY)	500,102,606	470,860,587	6.21%	1,141,367,296
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses (CNY)	472,235,962	397,655,187	18.76%	892,496,644
Net cash flows from operating activities (CNY)	1,125,382,658	505,146,673	122.78%	848,852,360
Basic earnings per share (CNY)	0.73	0.69	5.80%	1.67
Diluted earnings per share (CNY)	0.73	0.69	5.80%	1.67
Weighted average for earning rate of net assets (CNY)	4.84%	4.57%	0.27%	11.40%
	December 31, 2021	December 31, 2020	Increase/decrease compared with last year-end (%)	December 31, 2019
Total assets (CNY)	13,472,009,754	13,102,481,541	2.82%	13,647,932,568
Net Assets attributed to shareholders of the listed company (CNY)	10,447,884,183	10,267,832,644	1.75%	10,308,910,198

The lower of the net profit before and after non-recurring gains and losses in recent three fiscal years is negative and the audit report in recent one year indicates there is uncertainty in the Company's sustainable operation ability

☐Yes ☑No

The lower of the net profit before and after non-recurring gains and losses is negative

☐Yes ☑No

7. Differences in accounting data under PRC accounting standards and international accounting standards

(1) Differences between net profits and net assets in the financial report disclosed according to both international accounting standards and PRC accounting standards

□Available ☑Not available

There are no differences between net profits and net assets in the financial report disclosed according to both international accounting standards and PRC accounting standards during the report period.

(2) Differences between net profits and net assets in the financial report disclosed according to both foreign accounting standards and PRC accounting standards

□Available ☑Not available

There are no differences between net profits and net assets in the financial report disclosed according to both foreign accounting standards and PRC accounting standards during the report period.

8. Key financial indicators by quarter

Unit：CNY

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating revenue	1,134,006,251	740,454,186	796,762,047	1,281,845,099
Net profit attributed to shareholders of the listed company	286,745,340	85,076,479	79,742,460	48,538,327
Net profit attributed to shareholders of the listed company after deducting non-recurring profits and losses	280,760,222	72,915,820	67,549,124	51,010,796
Net cash flows from operating activities	314,895,523	141,039,626	336,257,978	333,189,531

Whether there are significant differences between the above mentioned financial indicators or their sum and the related financial indicators in the quarterly reports and semi-annual reports disclosed by the Company.

□Yes ☑No

9. Item and amount of non-recurring profit and loss

☑Available □Not available

Unit：CNY

Item	2021	2020	2019	Explanation
Profits and losses on disposal of non-current assets, including the provision for asset impairment write-off part	-15,364,993	-1,165,162	6,272,676	
Government grants included in the current profits and losses(except for those recurring government grants that are closely related to the entity’s operation, in line with related regulations and have proper basis of calculation)	48,240,741	73,180,848	84,837,581	
The subsidiary’s net profit and loss for the current period from the beginning of the period to the combining date resulting from the combination of enterprises under the same control		12,715,544	16,514,012	

Other non-operating revenues and expenditures in addition to the aforementioned items	2,328,169	10,098,551	7,298,479	
Other profit and loss projects conforming to the definition of non-recurring profit and loss	0	0	218,649,636	
Less：Income tax effect	7,306,787	21,595,671	84,171,927	
Minority shareholders' equity effect (after taxes)	30,486	28,710	529,805	
Total	27,866,644	73,205,400	248,870,652	--

Specific situation of other profit and loss projects conforming to the definition of non-recurring profit and loss

□Available ☑Not available

There does not exist specific situation of other profit and loss projects conforming to the definition of non-recurring profit and loss.

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

□Available ☑Not available

There is no situation regarding the non-recurring profit and loss specified in the *Explanatory Announcement on Public Company's Information Disclosure No.1 –Non-recurring Profit and Loss* as recurrent profit and loss.

III. Management Discussion and Analysis

1. Situation of industry in which the Company operates during the report period

In 2021, a strong wine consumption atmosphere had not yet been formed in China. The wine market was still mainly distributed in some developed coastal areas. Most consumers did not develop the habit of drinking wine frequently. Wine consumption was highly vulnerable to the impact of the epidemic and spirits. The overall scale of domestic wine market continued to decline, the sales volume of imported wine and domestic wine continued the trend of "double decline", and the vast majority of wine production and operation enterprises had difficulties in operation. The domestic wine industry was still on the verge of loss.

Facing these disadvantages, the Company persisted in taking the market as the center, adhered to the development strategy of "Focus on middle-and-high level, Focus on high quality, Focus on big product" and the marketing philosophy of "obtaining growth from the terminal and nurturing consumers", took market-oriented action to adjust marketing strategies in a timely manner, promoted reform and innovation to stimulate enterprise vitality, and took consumer satisfaction as the ultimate goal to continuously improve product quality. In 2021, the Company realized the operating revenue of CNY3,953.06million with a year-on-year increase of 16.42% and the net profit attributable to the parent company's shareholders of CNY500.1million with a year-on-year increase of 6.21%, maintaining the leading role in the industry.

2. Main businesses during the report period

The Company need to comply with the disclosure requirements of Food and Liquor Manufacturing Related Businesses in *Shenzhen Stock Exchange Industry Information Disclosure Guideline No. 3 - Industry Information Disclosure*.

(1) Situation of the industry in which the Company operates

During the report period, the Company's main businesses are production and operation of wine and brandy, thus providing domestic and foreign consumers with healthy and fashionable alcoholic drinks. Compared with earlier stage, there are no significant changes happened to the Company's main businesses. The wine industry that the Company involved in is still in growth stage. Although being affected by many factors including the epidemic for the short-term, the competition in the market is fierce, the wine consumption temporarily declines, and a large number of wine production enterprises are on the brink of loss. However, seen from the long term, with the change in the consumption conception of younger consumers, the whole domestic wine market is likely to be on the rising trend. The Company is at the forefront in the domestic wine market and is significantly ahead of major domestic competitors.

The Company's products were divided into two series: wine and brandy. For wine, main brands included Changyu, Noble Dragon, AFIP, Longyu, Golden Ice Valley, Zenithwirl, Vermouth, Rena, Baron Balboa, J.LORMIN, Atrio, Kilikanoon and IWCC and so on. For Brandy, main brands included Koya, Mminni, Pagese, Roullet Fransac and so on.

(2) License obtained

As of December 31st, 2021, the Company and its subsidiaries have obtained 8 food production licenses (alcohol), of which the food production licenses having been obtained since the beginning of 2020 are as follows:

Producer name	Food category	Obtaining time	Obtaining method	Food production license number
Shaanxi Chateau Changyu Rena Co., Ltd.	Alcohol	2020.10.19	Approval from government authority	SC11561040400532
Yantai Chateau Koya Brandy Co., Ltd.	Alcohol	2021.01.11	Approval from government authority	SC11537063601165

(3) Explanation for other major events

During the report period, there did not exist the trademark ownership dispute, food quality issue or food safety incident etc. that had a significant impact on the Company.

Major sales mode

The Company's main sales mode was the distribution mode, and main sales channel was offline sales, that is, the Company's products were distributed to sales terminals through approximately 4,000 distributors at home and abroad and ultimately provided to consumers.

Distribution mode

☑Available ☐Not available

(1) Situation of change in the number of distributors

Region	**Number at the beginning of 2021**	**Increased number during this report period**	**Number at the end of 2021**
Eastern China	1702	155	1857
South China	541	24	565
Central China	479	-3	476

North China	358	7	365
Northwest China	156	28	184
Southwest China	411	82	493
Northeast China	289	29	318
HongKong, Macao,Taiwan China and overseas	511	62	573
Total	4447	384	4831

(2) The Company adopted the settlement method of cash and carry with the distributors, and mainly adopted buyout distribution mode.

The ratio of sales in self-owned exclusive shop exceeds 10%

□Available ☑Not available

Sales of online direct selling

☑Available □Not available

Sales model	2021			2020		
	Operating income (CNY)	**Operating cost (CNY)**	**Gross margin**	**Operating income (CNY)**	**Operating cost (CNY)**	**Gross margin**
Distribution	3,263,303,800	1,349,422,481	58.65%	2,945,453,550	1,289,537,264	56.22%
Direct sales	689,763,784	298,367,393	56.74%	449,948,451	214,340,143	52.36%
Total	3,953,067,583	1,647,789,874	58.32%	3,395,402,001	1,503,877,407	55.71%

The change in sales prices of major products accounting for more than 10% of total operating income in current report period exceeds 30% compared with those in last report period

□Available ☑Not available

Procurement mode and procurement content

Unit: CNY’0000

Procurement mode	Procurement content	The amount of the main procurement content
Price determined by quality comparison with standard price items	Raw materials such as grapes/ bulk wine	49,125.70
Tender/Price determined by quality comparison with standard price items	Packaging materials	53,324.70
Tender/Price determined by quality comparison with standard price items	Brewing materials	2,262.50
Tender/Price determined by quality comparison with standard price items	Vineyard supplies	1,082.80
Contract	Fuel and power	2,945.50

Price determined by quality comparison with standard price items	Other wines and derivatives	1,651.80

Amount of purchasing raw materials from cooperatives or farmers exceeds 30% of total procedure amount

□Available ☑Not available

The year-on-year change in the price of major outsourced raw materials exceeds 30%

□Available ☑Not available

Major production mode

The production mode of the Company is self-produce.

Manufacturing consignment

□Available ☑Not available

Major components of operating costs
Please refer to '4. Analysis in main business' in this chapter.

Yield and inventory
Please refer to '4. Analysis in main business' in this chapter.

3. Analysis of core competitiveness

Compared with the participants in the arena of the Chinese wine sector, the Company owns following advantages:

Firstly, the Company has a large brand influence. Main brands used have a long history. "Changyu", "Noble Dragon" and "AFIP" are all "China famous brands" that have strong influence and good reputation.

Secondly, the Company has set up a nationwide marketing network. The Company has formed a "three-level" marketing network system mainly composed of the Company's salesmen and distributors and the online sales platform has had a certain scale and influence, owing strong marketing ability and market exploitation ability.

Thirdly, the Company has strong scientific prowess and a product R&D system. Relying on the country's "State-level Wine R&D Center", the Company has owned powerful winemaker team, mastered advanced winemaking technology and production processes and had strong product innovation capacity and perfect quality control system.

Fourthly, the Company is in possession of a lot of grape-growing bases that are compatible with its development requirements. The Company has developed a great deal of vineyards in the most suitable areas for wine grape growing such as Shandong, Ningxia, Xinjiang, Liaoning, Hebei and

Shaanxi, and its subsidiary overseas enterprises also own matching grape bases in local area, making the overall scale and structure generally meet the Company's needs for future development.

Fifthly, products in high, medium and low-grade as well as varieties and categories are all complete. Over 100 varieties of series products such as wine, brandy and sparkling wine covers various grades, including high, medium and low-grade, which can meet different consumer groups' demands. The Company has taken the dominant status in the domestic wine industry after many years' development and has comparative advantages in the future competition.

Sixthly, the Company has a relatively perfect motivation system. Most of Company's employees indirectly hold the Company's equity through controlling shareholders. There are high consistency between employee benefits and shareholders benefits, in favor of motivating employees to create value for shareholders.

Seventhly, the Company has set up flexible and efficient decision-making mechanism. The Company's core management team always maintains a working style of unity and pragmatic and flexible and efficient decision-making mechanism, which makes the Company can deal with market changes more calmly.

Eighthly, the global production capacity layout has been basically completed. The Company has completed production capacity layout in China, France, Chile, Spain, Australia and other major wine producing countries in the world, enabling making better use of global high-quality raw material resources, capital, talents and advanced production processes and technologies to provide consumers with diversified quality products and better serve consumers.

Based on the above reasons, the Company has formed relatively strong core competence and will maintain a relatively dominant position in the future predictable market competition.

4. Analysis in main business

(1) Summarization

Description	Increase or decrease at the end of the period over the end of last year	Cause of significant changes
Operating revenue	16.42%	Mainly because of increase in sales volume
Operating cost	9.57%	Mainly because of increase in sales volume
Sales expense	26.73%	Mainly because of increased advertising fee and marketing expense resulting from increased market investment
Management expense	2.90%	Mainly because of increase in depreciation fee and administrative expense
R&D expense	140.97%	Mainly because of increase in research input, purchasing and updating scientific equipment

Financial expense	3.61%	Mainly because of increase in exchange loss of the Company’s subsidiary overseas enterprises
Net amount of cash flow generated in operating activities	122.78%	Mainly because of increase in received sales payment resulting from increased sales volume
Net amount of cash flow generated in investment activities	-23.38%	Mainly because of decrease in cash received from investment recovery and cash recovered from disposal of fixed assets, intangible assets and other long-term assets
Net amount of cash flow generated in financing activities	29.22%	Mainly because of decrease in cash paid for distribution of dividends, profits or repayment of interest and other cash paid in connection with financing activities

Review and summary of the process of the Company’s early-disclosed development strategy and business plan during the report period

During the report period, the domestic wine industry continued the decline trend and the market competition was very intense. The Company realized the operating revenue of CNY3,953.06million with an increase of 16.42% compared with last year, exceeding the target fixed at the beginning of the year of realizing operating revenue no less than CNY3.8billion, and realized the net profit attributable to the parent company’s shareholders of CNY500.1million with an increase of 6.21% compared with last year. The main works during the report period were shown as followed:

Firstly, the Company adhered to the market-oriented strategy and timely adjusted marketing strategies. For wine, on the basis of the Three-Focus strategy, the Company further focused on brands, products, cities, methods and barcode; actively adjusted the organizational structure, realizing good performance in the annihilation war and showing a good momentum in some markets; strengthened the management and control of marketing expenses and further focused the market investment in consumer cultivation; constantly innovated the contents and methods of brand communication, expanding the brand influence. For brandy, the Company further improved the sales system, realizing high-low separation in traditional mature markets such as Guangdong and Yantai and making the independent system cover the national market; continued to carry out marketing activities, such as tasting activities, chateau experience, exchange of empty bottles for brandy and Koya XO cultural experience hall and so on; steadily improved the quantity and quality of new distributors, such as group-buying, consumer and cross-border distributors. For imported wine, the Company continued to optimize the structure of imported products and focused on the core products of the Company's overseas acquired brands. Besides, the Company accelerated the pace of digital transformation and upgrading, achieving sustained and rapid growth in the online business and making its sales rank first in the wine industry's entire network sales.

Secondly, the Company promoted reform and innovation and stimulated the vitality of enterprises. In view of the irreplaceable role of high-end products in enhancing brand influence and promoting the long-term development of the company, the Company established the Longyu business division in order for the high-end wines to strive to break through the market dilemma and begin to reverse, thus leading the Chinese wine market to gradually recover in an all-round way. The integration of various tourism units was completed, and the organization and personnel was further streamlined, greatly improving the operating efficiency. The Company solidly promoted technological innovation and was authorized 3 national invention patents of wine and 2 national invention patents of brandy. It also cooperated with online big enterprises, such as Guoqu, Yixin Kechuang and Jiuaizhihe, used platforms including JD.com, Tmall and Tiktok to increase product and brand promotion efforts, and continuously expanded the scale of fans, further enhancing brand communication power, guidance and influence and promoting product sales. In the planting process, the Company introduced the internationally-leading NETAFIM "integration of water and fertilizer " drip irrigation system to achieve precise water and fertilizer supply to grapes, greatly reducing the use of labor, water and fertilizer use; organic fertilizer and biological pest control technology was promoted to continuously improve the yield of organic grapes. In the production process, the Company introduced a scientific and reasonable thermal energy recovery system to recycle and utilize equipment waste heat; use electricity at different times and peaks and use the height difference of production facilities to facilitate material transportation that further reduces production costs, and the energy consumption index per ton of wine has reached the national green factory standard. In the logistics link, the logistics mode of using three-layer cartons and pallet packaging for national circulation has been promoted, and the amount of paper used and packaging costs have been greatly reduced.

Thirdly, the Company strengthened financial and safety management, strengthened audit supervision and prevented operational risks. The Company has coordinated the channel of expense listing, strengthened fixed capital management and financial management of joint venture companies, reduced capital occupation, saved labor costs and reduced financial risks. Establish and improve the occupational safety and health system, carry out occupational safety and health education for employees, take multiple measures to mobilize employees to be vaccinated in time, strengthen employees' awareness of environmental protection, safety and occupational health, improve employees' safety production skills, self-protection ability and group protection awareness, actively carry out the rectification of hidden dangers in safety production, continuously improve the level of safety production management to prevent safety loopholes and successfully achieve "zero infection and zero accident". By conduction internal unit profit authenticity audits, flight audits, resign audit of middle and senior-level employees and technical renovation project audits to prevent major violations of laws an disciplines.

Fourthly, the Company further improved the salary system, strengthened talent team construction and improved the combat effectiveness of the management team. Through process decomposition and segmented accounting, the Company improved the performance assessment and evaluation system of the production system and improved the production efficiency. Further refine the evaluation and reward and punishment standards of brand winemaker that makes the responsibilities, rights and benefits of brand winemakers more clear and lays a talent foundation for continuous improvement of product quality. Continue to carry out employee training and further attract social outstanding talent to inject fresh blood into the enterprise and enhance the development momentum of the enterprise.

Fifthly, the Company carefully organized and successfully completed the purchase of raw materials such as grapes. Through scientific organization and planing, the Company overcame the obstacles caused by the epidemic, bad weather and other factors and completed the purchase of grapes and other raw materials with high quality and quantity that provides reliable raw material guarantee for future production and operation.

(2) Revenue and cost

① Composition of operating revenue

Unit: CNY

	2021		2020		Year-on-year increase or decrease (%)
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	3,953,067,583	100%	3,395,402,001	100%	16.42%
Sector-classified					
Sector of liquor and alcoholic beverage	3,953,067,583	100%	3,395,402,001	100%	16.42%
Product-classified					
Wine	2,834,114,276	71.69%	2,424,359,348	71.40%	16.90%
Brandy	1,036,164,837	26.22%	877,428,035	25.84%	18.09%
Tourism	73,192,187	1.85%	69,589,233	2.05%	5.18%
Others	9,596,283	0.24%	24,025,385	0.71%	-60.06%
Area-classified					
Domestic	3,421,775,481	86.56%	2,889,121,152	85.09%	18.44%
Overseas	531,292,102	13.44%	506,280,849	14.91%	4.94%
Sales model- classified					
Distribution	3,263,303,800	82.55%	2,945,453,550	86.75%	10.79%
Direct sales	689,763,784	17.45%	449,948,451	13.25%	53.30%

② The cases of industry, product or area accounting for over 10% in the Company's operating revenue or operating profit

☑Available ☐Not available

Unit: CNY

	Operating revenue	Operating cost	Gross margin	Year-on-year increase or decrease (%) of operating revenue	Year-on-year increase or decrease (%) of operating cost	Year-on-year increase or decrease (%) of gross profit rate
Sector-classified						
Sector of liquor and alcoholic beverage	3,953,067,583	1,647,789,874	58.32%	16.42%	9.57%	2.61%
Product-classified						

Wine	2,834,114,276	1,185,871,086	58.16%	16.90%	7.64%	3.60%
Brandy	1,036,164,837	415,041,606	59.94%	18.09%	13.59%	1.58%
Tourism	73,192,187	42,835,101	41.48%	5.18%	78.82%	-24.10%
Others	9,596,283	4,042,081	57.88%	-60.06%	-68.36%	11.06%
Area-classified						
Domestic	3,421,775,481	1,308,515,057	61.76%	18.44%	6.99%	4.09%
Overseas	531,292,102	339,274,817	36.14%	4.94%	20.80%	-8.39%
Sales model- classified						
Distribution	3,263,303,800	1,349,422,481	58.65%	10.79%	4.64%	2.43%
Direct sales	689,763,784	298,367,393	56.74%	53.30%	39.20%	4.38%

Under the condition that the statistical caliber of the Company's main business data is adjusted during the report period, the Company's main business data adjusted on the basis of caliber at the end of report period in recent one year.

□Available ☑Not available

③ Whether the Company's sales revenue for material object is more than labor service revenue

☑Yes □No

Sector	Project	Unit	2021	2020	Year-on-year increase or decrease (%)
Alcohol and alcoholic beverage industry	Sales volume	Ton	97,499	98,414	-0.93%
	Yield	Ton	100,737	93,990	7.18%
	Inventory	Ton	30,412	28,522	6.63%
Wine	Sales volume	Ton	67,700	70,662	-4.19%
	Yield	Ton	67,342	67,477	-0.20%
	Inventory	Ton	16,104	15,898	1.30%
Brandy	Sales volume	Ton	29,799	27,752	7.38%
	Yield	Ton	33,394	26,513	25.95%
	Inventory	Ton	14,308	12,624	13.34%

Explanation on the causes of over 30% year-on-year changes of the related comparison data

□Available ☑Not available

④ The fulfillment of major sales contract signed by the Company up to the report period

□Available ☑Not available

⑤ Composition of operating costs

Classification of sector and product

Unit: CNY

Sector	Project	2021		2020		Year-on-year increase or decrease (%)
		Amount	Proportion in the operating cost (%)	Amount	Proportion in the operating cost (%)	
Liquor and alcoholic beverage	Blending liquor	833,479,062	51.93%	731,348,214	49.42%	13.96%
	Packing material	477,555,065	29.76%	457,572,889	30.92%	4.37%
	Wages	59,063,486	3.68%	56,969,384	3.85%	3.68%
	Manufacturing expenses	234,857,160	14.63%	234,032,840	15.81%	0.35%
Wine	Blending liquor	611,321,504	51.55%	540,591,702	49.07%	13.08%
	Packing material	328,926,668	27.74%	326,909,741	29.67%	0.62%
	Wages	50,206,319	4.23%	48,585,743	4.41%	3.34%
	Manufacturing expenses	195,416,595	16.48%	185,657,867	16.85%	5.26%
Brandy	Blending liquor	220,058,439	53.02%	190,756,512	52.20%	15.36%
	Packing material	147,425,674	35.52%	130,663,148	35.76%	12.83%
	Wages	8,708,416	2.10%	8,383,641	2.29%	3.87%
	Manufacturing cost	38,849,077	9.36%	35,597,765	9.75%	9.13%

Explanation

No

⑥ Whether there are changes of consolidation scope during the report period

☑Yes □No

During the report period, Yantai Fushan Changyu Trading Co., Ltd. was not included in the scope of consolidation because it was cancelled; the newly-established Shanghai Changyu Guoqu Digital Technology Co., Ltd., Tianjin Changyu Yixin Digital Technology Co., Ltd. and Shanghai Changyu Yixin Digital Technology Co., Ltd. were included in the scope of consolidation. For other changes, please refer to ‘1. Equity in subsidiaries’ in Note ‘VI Equity in other entities’ to the financial statements.

⑦ Major changes or adjustments of the Company’s businesses, products or service during the report period

□Available ☑Not available

⑧ Information of major sales customers and major suppliers

The Company's major sales customers

The total sales amount of the top five customers （CNY）	283,472,286
The proportion that total sales amount of the top five customers accounting for the annual total sales amount （%）	7.17%
The proportion that sales amount of the related party in the total sales amount of the top five customers accounting for the annual total sales amount （%）	0%

Information of the Company's 5 biggest sales customers

No.	Customer name	Sales amount （CNY）	Proportion in total sales for the year （%）
1	Rank 1st	140,814,494	3.56%
2	Rank 2nd	59,764,528	1.51%
3	Rank 3rd	33,447,664	0.85%
4	Rank 4th	26,225,001	0.66%
5	Rank 5th	23,220,599	0.59%
Total	--	283,472,286	7.17%

Other situation explanations of major customers

□Available ☑Not available

Information on the Company's main suppliers

The total purchase amount of the top 5 suppliers	136,914,471
The proportion of the total purchase amount of the top 5 suppliers in the annual purchase amount	24.08%
The proportion of the related party purchase amount in the top 5 supplier purchase amount in annual purchase amount	3.58%

Information on the Company's top 5 biggest suppliers

No.	Supplier name	Purchase amount(CNY)	Proportion in total purchase for the year （%）
1	Rank 1st	44,870,025	7.89%
2	Rank 2nd	27,057,504	4.76%
3	Rank 3rd	23,934,593	4.21%
4	Rank 4th	20,715,005	3.64%
5	Rank 5th	20,337,344	3.58%
Total	--	136,914,471	24.08%

Other situation explanations of main suppliers

□Available ☑Not available

(3) Expense

Unit: CNY

	2021	2020	Year-on-year increase or decrease (%)	Explanation of significant changes
Sales expense	998,954,105	788,252,485	26.73%	Mainly because of increased advertising fee and marketing expense resulting from increased market investment
Management expense	299,076,376	290,646,466	2.90%	Mainly because of increase in depreciation fee and administrative expense
Financial expense	21,178,727	20,441,713	3.61%	Mainly because of increase in exchange loss of the Company's subsidiary overseas enterprises
Research and Development expense	10,919,262	4,531,418	140.97%	Mainly because of increase in research input, purchasing and updating scientific equipment

(4) Research and development investment

☑Available ☐Not available

	2021	2020	Percentage of changes (%)
Number of R&D personnel (person)	137	135	1.48%
The proportion of the number of R&D personnel	5.96%	5.27%	0.69%
Educational structure of R&D personnel	——	——	——
Below Bachelor	65	68	-4.41%
Bachelor	48	46	4.35%
Postgraduate	23	20	15.00%
Doctor	1	1	0.00%
Age structure of R&D personnel	——	——	——
Under 30-year-old	33	32	3.13%
30-to 40-year-old	41	40	2.50%
Above 40-year-old	63	63	0.00%

The investment of the Company's R&D

	2021	2020	Percentage of changes (%)
R&D investment amount (CNY)	10,919,262	4,531,418	140.97%
R&D investment as a percentage of operating income	0.28%	0.13%	0.15%
Amount of R&D investment capitalized (CNY)	0	0	0.00%
Capitalized R&D investment as a percentage of R&D investment (CNY)	0.00%	0.00%	0.00%

Reasons and effects of major changes in the composition of the company's R&D personnel

☐Available ☑Not available

Reasons for the significant change in the proportion of total R&D investment in operating income compared with the previous year

☐Available ☑Not available

Reasons for the substantial changes in the capitalization rate of R&D investment and its rationality explanation

☐Available ☑Not available

(5) Cash flow

Unit: CNY

Item	2021	2020	Year-on-year increase or decrease (%)
Subtotal of cash inflow in operating activities	3,812,599,382	3,385,896,941	12.60%
Subtotal of cash outflow in operating activities	2,687,216,724	2,880,750,268	-6.72%
Net amount of cash flow generated in operating activities	1,125,382,658	505,146,673	122.78%
Subtotal of cash inflow in investment activities	104,064,718	186,578,214	-44.22%
Subtotal of cash outflow in investment activities	279,720,766	328,946,684	-14.96%
Net amount of cash flow generated in investment activities	-175,656,048	-142,368,470	-23.38%
Subtotal of cash inflow in financing activities	855,198,786	987,668,379	-13.41%
Subtotal of cash outflow in financing activities	1,354,745,101	1,693,437,449	-20%
Net amount of cash flow generated in financing activities	-499,546,315	-705,769,070	29.22%
Net increase of cash and cash equivalents	449,661,924	-344,734,365	not available

Explanation of main influence factors contributing to great changes in related data on year-on-year basis

☐Available ☑Not available

Explanation on the causes of major differences between the net cash flow generated by the Company's operating activities and net profit of this year during the report period.

☐Available ☑Not available

5. Analysis to non-main business

☐Available ☑Not available

6. Assets and liabilities

(1) Significant changes of assets composition

Unit: CNY

	At the end of 2021		At the beginning of 2021		Proportion increase or decrease (%)	Explanation on significant changes
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary funds	1,567,095,993	11.63%	1,194,214,929	9.11%	2.52%	No significant changes
Receivables	291,006,410	2.16%	183,853,362	1.40%	0.76%	No significant changes
Contract assets		0%		0%	0%	No significant changes
Inventory	2,802,622,520	20.80%	2,945,548,651	22.48%	-1.68%	No significant changes
Investment real estate	24,502,258	0.18%	27,057,730	0.21%	-0.03%	No significant changes
Long-term equity investments	46,496,510	0.35%	48,263,507	0.37%	-0.02%	No significant changes
Fixed assets	5,687,867,314	42.22%	5,724,935,846	43.69%	-1.47%	No significant changes
Construction in progress	590,172,099	4.38%	635,495,152	4.85%	-0.47%	No significant changes
Right-of-use asset	134,569,039	1%	130,293,427	0.99%	0.01%	No significant changes
Short-term borrowings	622,066,457	4.62%	689,090,715	5.26%	-0.64%	No significant changes
Contract liability	147,120,716	1.09%	135,073,280	1.03%	0.06%	No significant changes
Long-term borrowings	176,047,043	1.31%	200,352,968	1.53%	-0.22%	No significant changes
Lease liability	101,811,588	0.76%	98,401,900	0.75%	0.01%	No significant changes

Foreign asset has a high proportion

☑Available ☐Not available

Details of assets	Formation reasons	Assets scale	Location	Operation mode	Control measures for safeguarding of asset security	Earning condition	Proportion of overseas assets in the Company's net assets	Whether there are significant impairment risks
Hacienda Y Vinedos Marques Del Atrio. SL	Acquisition of equity	516,273,836	Spain	Independent operation	The Company participates in making important decisions through board of directors and appoints CFO on financial management.	13,169,484	4.83%	No
Indomita Wine Company Chile, S.p.A.	Establishment of joint venture	511,244,907	Chile	Independent operation	The Company participates in making important decisions through board of directors.	19,716,978	4.78%	No
Kilikanoon Estate Pty., Ltd.	Acquisition of equity	167,079,311	Australia	Independent operation	The Company participates in making important decisions through board of directors.	360,073	1.56%	No
FrancsChampsParticipations SAS	Sole proprietorship establishment	220,966,759	France	Independent operation	The Company participates in making important decisions through board of directors.	-3,327,344	2.07%	No

(2) Assets and liabilities measured at fair value

☐Available ☑Not available

(3) Limitations of assets rights up to the end of the report period

Please refer to the "52. Assets with restrictive ownership title or right of use" of the "Notes to the financial statements" in this report's financial report.

7. Investment condition analysis

(1) Overall situation

☑Available ☐Not available

Investment amount during the report period (CNY)	Investment amount of the same period of last year (CNY)	Variation
148,020,000	305,280,700	-51.51%

(2) Cases of acquired significant equity investments during the report period

☐Available ☑Not available

(3) Cases of significant ongoing non-equity investments during the report period

☑Available ☐Not available

Unit: CNY

Project name	Investment mode	Whether belongs to fixed assets investment	Involved sectors of investment projects	Investment amount during the report period	Accumulated actual investment amount up to the end of the report period	Capital source	Project progress	Estimated earnings	Accumulated realized earnings up to the end of the report period	Reasons for unreached planning schedule and estimated earnings	Disclosure date (if have)	Disclosure index (if have)
Yantai Changyu International Wine City Blending and Cooling Center	Self-constructed	Yes	Liquor and alcoholic beverage sector	58,730,000	1,685,024,100	Owned fund	100%	0	0	—	2017.04.22	Please refer to *Resolution Announcement of Seventh Session Board of Directors 4th Meeting, Resolution*

Yantai Changyu International Wine City Bottling Center	Self-constructed	Yes		15,910,000	1,090,110,000	Owned fund	100%	0	0	—	2017.04.22	*Announcement of Seventh Session Board of Directors 8th Meeting, Resolution Announcement of Seventh Session Board of Directors 10th Meeting, Resolution Announcement of Eighth Session Board of Directors 4th Meeting* and *Resolution Announcement of Eighth Session Board of Directors 7th Meeting* disclosed on *China Securities Journal*, *Securities Times* and CNINFO (http://www.cninfo.com.cn/)
Yantai Changyu International Wine City Logistics Center	Self-constructed	Yes		0	462,677,200	Owned fund	100%	0	0	—	2017.04.22	
Changyu Vineand Wine Research Institute	Self-constructed	Yes		26,880,000	179,854,800	Owned fund	98%	0	0	—	2017.04.22	
Treasure Wine Chateau	Self-constructed	Yes		0	211,320,000	Owned fund	95%	0	0	—	2017.04.22	
Koya Brandy Chateau	Self-constructed	Yes		0	207,095,500	Owned fund	100%	0	0	—	2017.04.22	
Oak barrel procurement project	Self-constructed	Yes		46,500,000	148,084,200	Owned fund	80%	0	0	—	2021.04.28	
Total	--	--	--	148,020,000	3,984,165,800	--	--	0	0	--	--	--

(4) Financial assets investment

① Security investment situation

☐Available ☑Not available

There are no security investments for the Company during the report period.

② Derivatives investment

☐Available ☑Not available

There are no derivatives investments for the Company during the report period.

(5) The usage situation of raised capital

☐Available ☑Not available

There are no usage situations of raised capital for the Company during the report period.

8. Sale of significant assets and equities

(1) Sale of significant assets

☐Available ☑ Not available

The Company did not sell significant assets during the report period.

(2)Sale of significant equities

☐Available ☑Not available

9. Analysis of main holding and joint stock companies

☑Available ☐Not available

Situation of main subsidiaries and joint stock companies affecting over 10% of the Company's net profit

Unit: CNY

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yantai Changyu Pioneer Wine Sales Co., Ltd.	Subsidiary	Sales	CNY8million	989,932,250	176,281,834	2,670,739,279	639,123,060	509,991,945
Yantai Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY5million	169,968,188	151,271,261	1,040,063,518	117,359,790	87,244,317
Changyu Trading Co., Ltd. in Development Zone of Yantai	Subsidiary	Sales	CNY5million	66,005,809	14,386,591	181,246,321	68,884,834	46,573,280
Laizhou Changyu Wine Sales Co., Ltd.	Subsidiary	Sales	CNY1million	55,767,467	1,000,000	259,246,590	77,371,763	58,027,832

Acquisition and disposal of subsidiaries during the report period

□Available ☑Not available

Explanation on main holding and joint stock companies

10. Situation of the structured subjects controlled by the Company

□Available ☑Not available

11. Expectation for the Company's future development

On the basis of our limited experience and professional skills, the Company makes the following judgments on the wine industry and future development:

(1) The sector competition pattern and development trend

Affected by the increase in the uncertainty caused by the slowdown of national macroscopic economy growth and other factors such as COVID-19 epidemic, the wine consumption scene is blocked and is obviously squeezed by other alcoholic products. Most wine companies have small scales with poor profitability and do not have much resources for cultivating the market.The full recovery of the wine market will take a long hard time.

Although the development of the wine industry is currently encountering some difficulties, there are also lots of positive factors for the development of the industry. President Xi Jinping pointed out that 'China's wine industry has great prospects' when he inspected Ningxia. The local governments of all wine-producing regions are actively responding to support the development of the wine industry. The atmosphere of domestic wine consumption and the perception of healthy wine consumption are gradually forming. Young consumer groups have the momentum to switch to wine consumption. Consumption of domestic products has gradually become a fashion. In the long run, the huge development potential has not changed.

In such a case of long-term coexistence of opportunities and challenges, those enterprises that possess strong brand influence and marketing ability, catch the opportunities, actively take adjustments, make full use of newly emerging and traditional sales channels, make efforts to guide and cultivate wine consuming groups, timely satisfy the consumers' demands and provide products with high cost performance will have the opportunity to be the final winner of competitions, and then form a new pattern of the future Chinese wine market.

(2) The Company's development strategy

The Company will adhere to the development strategy of "Focus on middle-and-high level, Focus on high quality, Focus on big product"and the marketing philosophy of "obtaining growth from the terminal and nurturing consumers",continue improving the relatively independent system construction of wine, brandy, imported wine and overseas business, enhance wine, scale up brandy, improve imported wine, stabilize overseas business and promote the all-round development of various alcohol products.

(3) Management plan for the new year

In 2022, the Company will try its best to realize operating revenue of not less than CNY4.3billion and control the main operating costs and three period expenses below CNY3.4billion.

(4) Measures to be taken by the Company

In 2022, the China's economic development is currently facing triple pressures including demand contraction, supply shock, and weakening prediction, and the development trend of the wine industry is still not optimistic.The Company will take 130th anniversary of Changyu's establishment as an opportunity to mobilized all members of the Company, integrate various resources, stand at a new starting point and implement new measures to promote the Company to move forward in adversity and achieve greater development.

The first is to reform the market system, increase marketing innovation and promote the Company's development. According to different types of wine variety, grades, consumer groups and marketing methods, the Company established six business divisions, that include: establishing Longyu business division to further on high-end strategic brands; establishing Chateau wine business division to stabilize and consolidate the existing high-end wine market; establishing the Nobel Dragon business division to stabilize the basic market sales; establishing brandy business division to form a more independent brandy sales system; establishing imported wine business division to continue to specialize in imported wine business; establishing online business division to seek greater development of online business. The Company focuses more on marketing strategies and investment, integrates more investment, prescribed marketing actions, invests more in the cultivation of target consumer groups and core brand promotion, and accurately reaches the middle and high-end consumer class and captures the iteration of young consumer groups to explore more marketing innovation opportunities. The Company continues to deepen cooperation with e-commerce platforms such as JD.com and Tmall, vigorously promotes digital transformation, integrates and opens up various business modules, and continuously empowers the online and offline operation system and performance growth.

The second is to adhere to the concept of "consumer first" and continuously improve product quality. The Company continues to do a good job in the construction of grape bases, vigorously cultivate small varieties of red grapes and white grapes that are in line with the region and continues to do a good job in the research and development of special products such as collectible wine, customized wine, tourism products and commemorative wine; Innovate base management methods, strengthen process control, scientifically judge the harvest period and marked-based pricing, and improve product quality from the source. Strengthen quality supervision throughout the entire process, accurately grasp consumer needs and strive to satisfy consumers.

The third is to strengthen the construction of talent team and continue to cultivate reserve forces. The Company continues to strictly control the import of personnel, release the export of personnel, streamline the allocation of management personnel and steadily reduce the number of front-line employees in the production system on the premise of ensuring the basic stability of key personnel in order to increase wages and efficiency by reducing staff. The Company tightens recruitment standards, expands recruitment channels and vigorously introduces professional talents in technology, sales, management, etc.; continue to implement the training plan for young talents, strengthen professional training, improve ability, tap potential and increase the training and reserve of young talents.

The fourth is to focus on enhancing the Company's brand and strengthening the industrial tourism industry. Further standardize the reception of tourists, strengthen professional training, improve reception level, improve service quality, enhance tourists' satisfaction, improve the Company's image and brand reputation, and strive to convert tourists into fans of the Company's products and brand. Committed to creating personalized new products with novel images and unique styles to impress and attract tourists; strengthen organizational reform, complete the integration of tourism business, eliminate functional overlap and multiple management, increase per capita tourist reception and per capita efficiency to promote tourism business to a higher level.

The fifth is to do a good job in basic management to ensure the healthy operation of the Company. All operations and decisions of the Company must be analyzed for legal feasibility and legitimacy, adhere to the bottom line of laws and systems, operate in compliance with laws and prevent legal risks. Strictly follow and implement various safety management rules and regulations, strengthen safety management, improve risk prevention and control and emergency response mechanisms and ensure safe operation. Improve the scientificity and accuracy of budget preparation, strengthen budget performance management. Strengthen the audit of the authenticity of profits, the authenticity of inventory, the audit of key costs and expenses, the audit of investment projects in technological transformation and advertising expenses, and increase accountability for economic losses. Further improve the financial management system of overseas subsidiaries, strengthen dynamic monitoring and operation analysis, continue to pay attention to the operation and capital risks of overseas enterprises, and improve the risk prevention and control capabilities of overseas enterprises.

The sixth is to coordinate the preparations for the series of activities of Changyu’s 130th anniversary. During the year, the Company will organize and carry out a series celebration of the Changyu’s 130th establishment anniversary together with various departments, leaders at all level, brother enterprises, experts and scholars, distributors, consumers, domestic and foreign partners and the Company’s employees, who support the development of Changyu, to improve the reputation and influence of Changyu brand.

(5) Potential risks

① Risk in price fluctuation of raw materials

Grapes are the Company’s main raw materials. The grape’s yield and quality are affected to a certain extent by the natural factors such as drought, wind, rain, frost and snow. These force majeure factors greatly influence the quantity and price of the grapes in this Company orders and add the uncertainty to the Company’s production and operation. Therefore, the Company will lower the risks that are likely to affect grape quality and result in price fluctuation by means of expanding the self-run vineyards, strengthening the vineyard management and optimizing the layout of vineyards.

② Risk in uncertainty of market input and output

To cope with the cutthroat market competition and to meet the needs for market development, the Company has input more and more capital in the market and the sales expense has taken up a higher percentage point in the business revenue. The input-output ratio will affect the Company’s operating results to a great extent and the risk that some investments may not reach the expectations is likely to occur. Therefore, the Company will strengthen market research and analysis, enhance market forecast accuracy and continue to perfect the input-output evaluation system to ensure the investments in market to be satisfactory as expected.

③ Risk in product transport

The Company’s products are fragile and sent to different places all over the world, mostly by sea, railway and expressway. The peak season of sales is usually in cold winter and close to the spring festival when market has a great demand. At that time, the natural and human factors such as serious shortage of transport capacity resulting from busy flow of people and goods, wind, snow, freezing as well as traffic accidents make the transport departments difficult to send products to markets in time and safely. As a result, it makes this Company have to face the risks of missing the peak season of sales. Therefore, the Company will adopt all methods possible like making precise sales prediction and well designed connection of production and sales, reasonably arranging production and transport means and making use of more available warehouses in different places to lower these kinds of risks.

④ Risk in investment faults

The Company invested many projects in the previous periods and the investment amounts were relatively large. For individual project, owing to the influence of various factors, it led to have the risks of facing with the investment amount out of budget or hardly taking back the expected investment earnings. The Company will take an adequate argument and scientific decision-making for investment projects, try hard to reduce and avoid investment risks.

⑤ Risk in exchange rate

The Company's overseas subsidiaries export products to many different countries and the export amount is relatively large. There may be exchange losses or gains due to exchange rate fluctuation.

⑥ Risk in epidemic risk

The Company's products are currently mainly used for people's consumption at gatherings. If the chance of gathering declines due to the epidemic, it may have a greater negative impact on the Company's product sales.

⑦ Other risks

During the production and sales of the Company's products, it may be affected by force majeure such as wars, typhoons, earthquakes, etc..

12. Activity registration form for receptions of research, communication, visit and other activities during the report period

☑Available ☐Not available

Reception time	Reception place	Reception pattern	Type of reception object	Reception object	Main discussed contents and provided data	Basic situation index of reception
2021.05.12	www.quanjing.com	Other	Other	Secondary market investors	The recent production and operation situation of the Company	The website of Shenzhen Stock Exchange (https://biz.szse.cn)
2021.05.18	The Company's meeting room	Field research	Institution	Mr. Wang Peng from ICBCCS, Mr.Wang Yongming from New China Fund, Mr. Liu Aofei from Xiangcai Fund, Mr. Lei Kai from New China Asset, Mr. Gao Bo and Ms. Tang Chenchen from Funding Capital Management Company and Ms. Deng Tianjiao from BOC International (China) Co., Ltd.	The recent production and operation situation of the Company	The website of Shenzhen Stock Exchange (https://biz.szse.cn)

IV. Corporate Governance

1. Current Corporate Governance Situation of the Company

(1) About shareholders and shareholders' meeting

The Company has set up the *Deliberation Rules of Shareholders' Meeting*, and convened the shareholders' meetings in strict accordance with requirements of standard opinions of shareholders' meeting, made the great effort to provide convenient conditions for more shareholders to participate the shareholders' meeting, and ensured all shareholders to enjoy same equity and well exercised their rights. The Company drew great attention to the communication and exchange with shareholders, actively responded the shareholders' inquiry and questions, and widely listened to the suggestions and comments from shareholders.

(2) About the Company and holding shareholder

The Company has independent business and self-management capacity, which is independent from the controlling shareholders in business, staffs, assets, institutions and finance. The Board of Directors, Board of Supervisors, management teams and also internal institutions are able to operate independently in the Company. The controlling shareholders of the Company could regulate their behaviors without directly or indirectly interfering in the Company's decision-making and business activities beyond the shareholder's meeting; meanwhile, there is no case of encroaching on the Company's assets and damaging the interest of the Company and minority shareholders.

(3) About the director and board of directors

The Company strictly appoints all directors in light of *Corporation Act* and *Articles of Associations*. The qualifications of all directors are in line with the requirements of laws and regulations. In accordance with the requirements of *Corporate Governance Guidelines*, the Company has carried out the cumulative voting system in the director selection. At present, the Company has five independent directors accounting for above one third of all directors, and the number and personnel composition of board of directors was basically in accord with requirements of regulations as well as *Articles of Associations*. All directors of the Company were able to carry out work in accordance with the *Rules of Board of Directors' Procedure* and *Working Rules for Independent Directors*, punctually attended the board of directors' and shareholders' meetings, actively took part in relevant knowledge training, were familiar with the laws and regulations concerned, had a deep knowledge and long experience of practitioners, and performed their duties according to the law and regulations. The Board of Directors convened the meetings complies with relevant laws and regulations.

(4) About supervisor and board of supervisors

The Company strictly elected all supervisors in light of the procedures stipulated in the *Corporation Act* and *Articles of Associations*. At present, board of supervisors has three people among which one supervisor is representative for staff. The number and composition of board of supervisor meet the requirements of regulations and laws. All supervisors of the Company could follow the requirement of *Rules of Board of Supervisors' Procedure*, insist the principle of responsibility to all shareholders, seriously perform their duties, effectively supervise and present their independent opinions on important issues, interrelated deals, financial status, the duty performance of directors and managers of the Company.

(5) About performance evaluation and incentive system

The engagement of managers was open and transparent, and accorded with laws and regulations. The Company has established and gradually improved the performance evaluation standard and formed efficient incentive system, so as to ensure the salary of staff to be linked with work performance.

(6) About stakeholders

The Company could fully respect and safeguard the legal rights of the party with relevant benefit, cooperate actively with the stakeholders, jointly drive the Company to develop continually and stably, pay great attention to the issues such as local environmental protection and public utilities etc., and fully assume the due social responsibility.

(7) About the information disclosure and transparency

The Company has appointed the board secretary to be responsible as the head of investor relation management including information disclosure, investor relations management and reception of shareholders' visit and consultation. The Company has also assigned *China Securities Newspaper*, *Securities Times*, *Honkong Commercial Daily* and web site *http://www.cninfo.com.cn/* to disclose information, punctually, accurately and truly disclosed any information in the light of requirement of relevant laws and rules, and also ensured all shareholders to have same opportunity to acquire any information.

In order to further perfect the Company's governance system, during the report period, the Company formulated and improved the management systems including *2021 Product Quality Assessment Measures*, *Requirements for Further Strengthening the Management of Packaging Material Suppliers*, *Opinions on Standardizing the Management of Informal Employment in Production and Tourism Systems* and so on.

Whether or not there is significant variance between the Company's actual situation of corporate governance and the normative documents about listed company governance issued by China Securities Regulatory Commission.

□Yes ☑No

There is no significant variance between the Company's actual situation of corporate governance and the normative documents about listed company governance issued by China Securities Regulatory Commission.

2. Relative to the controlling shareholder and actual controller, independence of the Company on ensuring the company's assets, personnel,finance, organization, business, etc.

(1) Personnel Arrangement

The Company's general manager, deputy general managers and other senior officers, all of whom were paid by the Company and did not hold any concurrent administrative ranks in the controlling units. The Company was entirely independent in personnel arrangement, conclusion and adjustment of labor contracts thanks to its sound and independent system for labor, personal and salary management.

(2) Assets

Tangible assets and Intangible assets including trademark, industrial property right and non-patent technologies were all clearly divided between the Company and the controlling shareholders, and all legal formalities were completed. As an independent legal entity, the Company operates independently in accordance with the law, and does not provide any form of guarantee with its assets for shareholders' or individuals' liabilities or other legal or natural persons. Due to the historical issues, the ownership of trademarks such as "张裕" (Changyu) that the Company is permitted to use that are still remained with the controlling shareholder. Except for a very small number of trademarks such as "张裕" (Changyu) , the Company has ownership rights of the vast majority of trademarks being used by the Company, which ensures the independence and completeness of the Company's assets.

(3) Finance

The Company is equipped with independent finance department, financial administrator and financial and accounting staff, as well as a complete, independent and standardized financial accounting system. The Company also opened its own bank accounts, independent and legally paying taxes and workers insurance fund. All financial individuals do not hold any concurrent posts in associated companies and are able to make financial decisions independently. The Company has its own audit department, which is especially responsible for the internal audit work of the Company.

(4) Independent Institutions

The Company has set up a sound organizational framework, in which the Board of Directors and Board of Supervisors operate independently, no superior and subordinate relationship exists between the functional departments of the controlling shareholder. The Company has its own independent production & business offices, and all functional departments are independent to exercise their powers and carry out the production and business activities independently.

(5) Operations

The operations of the Company are independent of the controlling shareholders. The Company owns itself completely independent systems covering research and development, financial accounting, labor and human resource, quality control, raw materials purchase, production and sales, has the independent management ability, and does not have the problem that entrusts the controlling shareholders to buy and sell on commission, nor exist the horizontal competition with controlling shareholders.

3. Situation for Horizontal Competition

☐Available ☑Not available

4. Information for the shareholders' meeting and interim shareholders' meeting held during the report period

(1) Information for the shareholders' meeting during the report period

Session	Meeting type	Participation ratio of investors	Convening date	Disclosure date	Meeting Resolution
2020 Annual Shareholders' Meeting	Annual shareholders' Meeting	62.28%	2021.05.27	2021.05.28	The meeting deliberated and approved the *2020 Annual Board of Directors' Work Report*, *2020 Annual Board of Supervisors' Work Report*, *2020 Annual Report*, *Proposal on 2020 Annual Profit Distribution*, *Proposal on Appointing Certified Public Accountants Firm* and *Proposal on 2021 Annual Financial Budget*.

(2) Request for convening interim shareholders' meeting by priority shareholders owing recovered voting right

□Available ☑Not available

5. Situation for Directors, Supervisors, Senior Executives and Staff

(1) Changes in shareholdings of directors, supervisors and senior executives

Name	Post	Status	Gender	Age	Beginning date of tenure	Ending date of tenure	Shares held at the beginning of the period	Increased shares during the period	Decreased shares during the period	Other changes of shares held	Shares held at the end of the period	Reasons of the increase and decrease change of shares held
Zhou Hongjiang	Chairman	Incumbent	M	57	2002.05.20	2022.05.18	36,500	1,300			37,800	Secondary market purchases
Leng Bin	Director	Incumbent	M	59	2000.08.22	2022.05.18	0				0	
Sun Jian	Director	Incumbent	M	55	2019.05.17	2022.05.18	30,000	30,000			60,000	Secondary market purchases
Li Jiming	Director	Incumbent	M	55	2019.05.17	2022.05.18	0				0	

Chen Dianxin	Director	Incumbent	F	55	2019.05.17	2022.05.18	0			0	
Aldino Marzorati	Director	Incumbent	M	69	2006.12.07	2022.05.18	0			0	
Stefano Battioni	Director	Incumbent	M	63	2020.05.27	2022.05.18	0			0	
Enrico Sivieri	Director	Incumbent	M	53	2019.05.17	2022.05.18	0			0	
Chiang Yun	Director	Incumbent	F	54	2020.06.19	2022.05.18	0			0	
Luo Fei	Independent director	Incumbent	M	69	2016.09.23	2022.05.18	0			0	
Duan Changqing	Independent director	Incumbent	M	57	2019.05.17	2022.05.18	0			0	
Liu Huirong	Independent director	Incumbent	F	58	2019.05.17	2022.05.18	0			0	
Liu Qinglin	Independent director	Incumbent	M	58	2019.07.02	2022.05.18	0			0	
Yu Renzhu	Independent director	Incumbent	M	43	2020.05.27	2022.05.18	0			0	
Kong Qingkun	Chairman of the Board of Supervisors	Incumbent	M	49	2013.05.14.	2020.05.18	0			0	
Zhang Lanlan	Supervisor	Incumbent	F	52	2013.05.14.	2020.05.18	0			0	
Liu Zhijun	Supervisor	Incumbent	M	41	2016.05.26	2020.05.18	0			0	
Sun Jian	General manager	Incumbent	M	55	2018.01.10	2022.05.18	0			0	
Li Jiming	Deputy general manager	Incumbent	M	55	2019.05.28	2022.05.29	0			0	
Jiang Hua	Deputy general manager	Incumbent	M	58	2001.09.14	2022.05.29	0			0	
Peng Bin	Deputy general manager	Incumbent	M	55	2018.01.10	2022.05.29	0			0	
Jiang Jianxun	Deputy general manager and Board secretary	Incumbent	M	55	2019.05.28	2022.05.29	0			0	
Pan Jianfu	General manager assistant	Incumbent	M	46	2018.04.19	2022.05.29	0			0	
Liu Shilu	General manager assistant	Incumbent	M	47	2018.04.19	2022.05.29	0			0	

Xiao Zhenbo	General manager assistant	Incumbent	M	45	2018.04.19	2022.05.29	0				0	
Total	--	--	--	--	--	--	66,500	31,300	0	0	97,800	--

Is there any resignation of directors and supervisors and dismissal of senior management personnel during their term of office during the reporting period

☐Yes ☑No

Changes of directors, supervisors and senior managers of the company

☐Available ☑Not available

(2) Situation for work experience

The professional background, main work experiences and present positions of the Company's directors, supervisors and senior executives

① Members of Board of Directors

Mr. Zhou Hongjiang, male, 57, Chinese, with doctoral degree, senior engineer, used to be the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd., the Deputy General Manager, the General Manager and the Deputy Chairman of Yantai Changyu Pioneer Wine Co., Ltd.. He is incumbent as the representative of the 13th National People's Congress, the Chairman of Yantai Changyu Group Co., Ltd., and the board director and the Chairman of the Company.

Mr. Leng Bin, male, 59, Chinese, with master degree, senior accountant, used to be the Deputy Section Chief and the Section Chief of Yantai Audit Bureau, the board director and the Chief Accountant of Yantai Changyu Group Co., Ltd. and the board director and the Deputy General Manager of the Company. He is incumbent as the board director of the Group Company and the Company, with an additional post of the General Manager of the Group Company, and the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd..

Mr. Sun Jian, male, 55, Chinese, MBA, used to be the Deputy General Manager of the Company. He is incumbent as the board director and the General Manager of the Company, and with an additional post of the board director of the Group Company.

Mr. Li Jiming, male, 55,Chinese, with doctoral degree, application researcher, used to be the Chief Engineer of the Company. He is incumbent as the board director and the Deputy General Manager of the Company, and with an additional post of the board director of the Group Company.

Ms. Chen Dianxin, female, 55,Chinese, with master degree of the Party School; from July 1985 to October 2018, she used to serve as staff of Yantai Chemical Purchasing and Supply Station, staff of Yantai Stated-owned Assets Assessment Center, the Deputy Director of Yantai Stated-owned Assets Assessment Center, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Bureau, the Deputy Section Chief of Assets Assessment Management Department in Yantai State-owned Assets Supervision and Administration Commission, full-time Deputy Secretary of Party branch in Yantai State-owned Assets Supervision and Administration Commission, the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission, the Director of retired carders work office and the Section Chief of Property Management Department in Yantai State-owned Assets Supervision and Administration Commission, and the Director of retired carders work office in Yantai State-owned Assets Supervision and Administration Commission. Since October 2018, she has been served as the Deputy Secretary of Party branch and the General Manager of Yantai Guofeng Investment Holding Group Co., Ltd. and the current board director of Yantai Changyu Group Co., Ltd. and the Company.

Mr. Aldino Marzorati, male, 69, Italian, with bachelor degree, servescurrently as the General Manager of Illva Saronno Holding S.p.A, the member of the board of directors of some branches under the Group Company, and the board director of Changyu Group Co., Ltd. and the Company.

Mr. Stefano Battioni, male, 63, Italian, graduated with a bachelor’s degree. He has served as a Senior Product Manager of Colgate Palmolive in Italy, the Marketing Director of Barilla Holding, the International Marketing Director and the Spirits Business Unit Director-General Manager of Illva Saronno S.p.A. (a spirit company as a wholly-owned subsidiary of Illva Saronno Holding S.p.A.). He is currently the CEO of Illva Saronno S.p.A. and the board director of Changyu Group Co,. Ltd. and the Company.

Mr. Enrico Sivieri, male, 53, Italian, with bachelor degree, served successively as the financial controller of ARNEG S.p.a., the commercial analyst of SPILLERS FOODS ITALIA S.p.a., the trade controller of Nestle’ Purina Petcare Europe, European marketing & sales controller of Nestle’ Purina Petcare Europe, the European supply chain controller of Nestle’ Purina Petcare Europe, the Southern Europe regional controller of Nestle’ Purina Petcare Europe and the Director of group financial controlling of Illva Saronno Holding S.p.A., and currently serving as a member of the board of directors for Royal Oak Distillery Ltd. and the General Manager of Illva Saronno Holding S.p.A., and the board director of the Company.

Ms. Chiang Yun, female, 54, successively obtained Bachelor of Science degree Magna Cum Laude from Virginia Tech, Virginia, EMBA of The Kellogg School of Management at North Western University, USA and EMBA of The Graduate School of Management, Hong Kong University of Science and Technology, Hong Kong, China. She used to acted as Director at American International Group (AIG) direct investment team, the Managing Partner of Pacific Alliance Group (PAG). She currently serves as the INED and member of Audit Committee and Nomination Committee in Las Vegas Sands China, the INED and member of Audit Committee, Remunerations Committee and Nomination Committee in Goodbaby International Holding Ltd., the INED, member of Audit Committee and Nomination Committee and Chairlady of Remunerations Committee in Pacific Century Premium Developments Ltd., the INED and member of Audit Committee and Health, Safety and Security Committee in Merlin Entertainments plc., the CEO and

Founding Partner of Prospere Capital, and the board director of the Group Company and the Company.

Mr. Luo Fei, male, 69, Chinese, with doctoral degree, visiting scholar of University of Toronto, doctoral supervisors, Government Special Allowance expert, first batch of trans-century subject (academic) leading personals of Financial Department. He successively served as the Dean of Accounting Institute in Zhongnan University of Economics and the Dean of Accounting Institute in Zhongnan University of Economics and Law. He focuses on the study of Financial Accounting, Cost Accounting, Financial Management, and so on. He has worked in companies for many years and has practical working experience with companies. Now he is serving as an independent director of the Company.

Mr. Duan Changqing, male, 57, Chinese, with doctoral degree, professor, doctoral and master's supervisor, and the national senior winemaker and senior wine taster.He currently serves as the chief scientist of national grape industry technology system and the Director of Wine Processing Key Laboratory of Ministry of Agriculture and Rural Affairs. Meanwhile, he holds concurrent posts of the Director of China Wine Technology Committee, the Director of China Wine and Fruit Wine Expert Committee, the Executive President and the Secretary General of Grape and Wine Branch of Chinese Horticultural Society and the Vice President of China Agricultural Society Grape Branch. His major research fields are the basic theoretical research and related high and new technology research and development as well as application promotion work in the direction of suitability between ecology in producing area and grape variety and liquor variety, evolvement mechanism and directional brewing of wine flavor formation, grape fruit flavor metabolism regulation and product flavor quality evaluation and so on. He is a current independent director of the Company.

Ms. Liu Huirong, female, 58, Chinese, with doctoral degree, the former Deputy Dean and Dean of the Institute of Political Science and Law of Ocean University of China. She used to serve as an independent director of Sailun Group Co., Ltd., Longda Meat and Sacred Sun Co., Ltd. and Shandong Sacred Sun Power Sources Co., Ltd.. Currently, she is a second-level professor and doctoral supervisor of Ocean University of China and with additional post as a researcher of the "Belt and Road Initiative" Judicial Research Center of the Supreme People's Court, an expert at the Supreme People's Court for foreign-related commercial and maritime action expert database, the Deputy Chairman of the sixth Shandong Law Society and the Deputy Director of the Academic Committee, and the Chairman of the Qingdao Law-based Government Research Institute. Her research fields are International Law and Legislative Science. She has won the title of *Shandong Top Ten Outstanding Young and Middle-aged Jurists*, the third prize of *Excellent Social Science Achievement of the Ministry of Education*, the third prize of *Shandong Excellent Social Science Achievement*, the second prize of *Shandong Excellent Philosophy and Social Science Achievement*, the first prize of *Excellent Achievement of Shandong Education Department* and the *Top Talent in Qingdao City*. She is a current an independent director of the Company.

Mr. Liu Qinglin, male, 58, doctoral degree of Management, Chinese, no overseas permanent residence. He is currently a professor and doctoral supervisor of Economics Faculty of Shandong University, the Director of Institute for World Economy Studies of Shandong University, the Executive Deputy President of Shandong Institute of Development of Shandong University, a member of a council of China Society of World Economics, an executive member of a council of The Association for Canadian Studies in China and Shandong Youth Scholars Association, a member of a council of Shandong Association for Business Economics and Shandong Price

Association. He currently serves as an independent director of Shandong Xinneng Taishan Power Generation Co., Ltd., an independent director of Weihai Huadong Automation Co., Ltd., and an independent director of the Company.

Mr. Yu Renzhu, male, 43, Chinese, doctor of management, high-level talents of Jinan, used to act as the Deputy Director of Huanglong National Scenic Area Administration in Aba prefecture of Sichuan province as a member of the 18th doctoral team of the Central Organization Department and the Communist Youth League of China and also ever acted as managing director of Shandong Agricultural Economy Society. Currently, he serves as a professor and a master supervisor in School of Business Administration in Shandong University of Finance and Economics, the managing director of Chinese Marketing Association of Universities and an independent director of this company.

② Members of board of supervisors

Mr. Kong Qingkun, male, 49, Chinese, MBA and economist, successively served as a section member of production department in the healthy liquor branch office, a clerk and the DeputyDirector and the Director of general manager office.

Ms. Zhang Lanlan, female, 52, bachelor degree and economist, successively served as the Deputy Manager of the import and export branch of the Company and the Manager of import department of the Company. She now is the Director of board of directors' office.

Mr. Liu Zhijun, male, 41, Chinese, bachelor degree; from July 2003 to February 2019, he used to serve as the staff of worked in foreign fund department of Economy and Trade Bureau in Longkou Economic Development Zone, a news section member of propaganda department in Longkou Municipal Committee, a member of propaganda and mass work section, a member of planning section, the Deputy Director Member of programming development and enterprise distribution section, the Deputy Director Member and the Deputy Chief of programming development section, the supervisor (section chief rank) of the Dongfang Electronics Corporation Co., Ltd., Shandong Laidong Engine Co., Ltd. and Yantai Public Transportation Group Co., Ltd., and a section chief rank of Yantai Municipal Audit Bureau; from March 2019 to June 2020, he served as the had of the equity management department of Yantai Guofeng Investment Holding Group Co., Ltd.; from June 2020 to present, he serves as a member of the Party Committee, the deputy general manager and secretary of the board of director of Yantai Guofeng Investment Holding Group Co., Ltd. He now is a supervisor of the Company.

③ Other senior executives

Mr. Jiang Hua, male, 58, Chinese, with master degree, senior engineer, has been serving as the Deputy General Manager of the Company since 14th September, 2001.

Mr. Peng Bin, male, 55, MBA, senior engineer, ever successively served as the Department Chief of Technical Transformation Department and the Minister of Investment and Development Department as well as the Deputy General Manager of Yantai Changyu Group Co., Ltd. and the General Manager Assistant of Yantai Changyu Group Co., Ltd.. He currently serves as the Deputy General Manager of the Company.

Mr. Jiang Jianxun, male, 55, Chinese, MBA and accountant, served as the Financial Manager of the Company from 20th May, 2002 to 10th January, 2018. He serves as the Deputy General Manager and Board Secretary of the Company.

Mr. Pan Jianfu, male, Han ethnic, Chinese, 46, MBA and senior economist, used to serve as the General Manager of the Jiangxi Branch of the Company, the General Manager of the Shanghai marketing management company and the General Manager of Beijing marketing management center. Currently, he is the General Manager Assistant of the Company and the General Manager of Beijing marketing management center and Beijing Chateau AFIP.

Mr. Liu Shilu, male, Han ethnic, Chinese, 47, master degree, used to be the Manager of Tianjin branch of the Company, the Competence Manager of North China market, the General Manger of Beijing marketing management company, the General Manager of Guangdong marketing management center and the General Manager of e-commerce branch of the Company. Currently, he serves as the General Manager Assistance of the Company and the General Manager of Yantai Changyu Pioneer Wine Sales Co., Ltd..

Mr. Xiao Zhenbo, male, Han ethnic, Chinese, 45, MBA, served as the Deputy Manager of the Company's market strategy development center, the General Manager of Shandong marketing management company and Yantai Changyu liquor company. He currently serves as the General Manager Assistant of the Company and the General Manager of Zhejiang marketing management company.

Post in the shareholder's company

☑Available ☐Not available

Name	Shareholder's Company	Post	Beginning date of the post	Ending date of the post	Paid by shareholder's company or not
Zhou Hongjiang	Yantai Changyu Group Co., Ltd.	Chairman	2018.01.10	2026.01.11	No
Leng Bin	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	Yes
Leng Bin	Yantai Changyu Group Co., Ltd.	General manager	2018.01.10	2026.01.11	Yes
Sun Jian	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Li Jiming	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Chen Dianxin	Yantai Changyu Group Co., Ltd.	Director	2018.11.15	2026.01.11	No
Aldino Marzorati	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Enrico Sivieri	Yantai Changyu Group Co., Ltd.	Director	2018.01.10	2026.01.11	No
Stefano Battioni	Yantai Changyu Group Co., Ltd.	Director	2020.04.09	2026.01.11	No
Chiang Yun	Yantai Changyu Group Co., Ltd.	Director	2020.05.12	2026.01.11	No
Explanation for the post in the shareholder's company	Mr. Leng Bin also holds concurrent post as the Chairman and General Manager of Yantai Zhongya Medical Health Wine Co., Ltd., which is a subsidiary of Yantai Changyu Group Co., Ltd..				

Post at other companies

☐Available ☑Not available

Disciplinary actions taken by securities regulators in recent 3 years to the Company's directors, supervisors and senior management both on the job and left during the report period

☑Available ☐Not Available

In 2019, the Shandong Regulatory Bureau of China Securities Regulatory Commission issued a "Decision on Measures to Issue Warning Letters to Mr. Zhou Hongjiang and Mr. Qu Weimin", but it did not impose administrative penalty on Mr. Zhou Hongjiang and Mr. Qu Weimin.

(3) Salary of directors, supervisors and senior executives

The situation of decision-making process, the basis of determination and the actual payment of directors, supervisors and senior executives

The salary for the independent directors is paid according to the resolution of shareholders' meeting. The salary for the chairman, directors with administration duty, supervisors, managers and other senior management should be paid on basis of the evaluation result according to the *Yantai Changyu Pioneer Wine Co., Ltd. Executive Compensation and Performance Design*, which was passed during the Board of Directors' meeting.

Salary of directors, supervisors and senior executives during the report period

Unit: CNY'0000

Name	Post	Gender	Age	Status	Total reward from the Company before tax	Whether get reward from related parties of the Company
Zhou Hongjiang	Chairman	M	57	Incumbent	176.42	No
Leng Bin	Director	M	59	Incumbent	0	Yes
Sun Jian	Director and General Manager	M	55	Incumbent	160.38	No
Li Jiming	Director and Deputy General Manager	M	55	Incumbent	122.17	No
Chen Dianxin	Director	F	55	Incumbent	0	No
Aldino Marzorati	Director	M	69	Incumbent	0	No
Stefano Battioni	Director	M	63	Incumbent	0	No
Enrico Sivieri	Director	M	53	Incumbent	0	No
Chiang Yun	Director	F	54	Incumbent	0	No
Luo Fei	Independent Director	M	69	Incumbent	8	No
Duan Changqing	Independent Director	M	57	Incumbent	8	No
Liu Huirong	Independent Director	F	58	Incumbent	8	No
Liu Qinglin	Independent Director	M	58	Incumbent	8	No
Yu Renzhu	Independent Director	M	43	Incumbent	8	No
Kong Qingkun	Chairman of the Board of Supervisors	M	49	Incumbent	80.69	No
Zhang Lanlan	Supervisor	F	52	Incumbent	19.38	No
Liu Zhijun	Supervisor	M	41	Incumbent	0	No
Jiang Hua	Deputy General Manager	M	58	Incumbent	120.79	No
Peng Bin	Deputy General Manager	M	55	Incumbent	121.58	No
Jiang Jianxun	Deputy General Manager and Board Secretary	M	55	Incumbent	113.39	No
Pan Jianfu	General Manager Assistant	M	46	Incumbent	69.96	No
Liu Shilu	General Manager Assistant	M	47	Incumbent	80.19	No
Xiao Zhenbo	General Manager Assistant	M	45	Incumbent	70.48	No
Total	--	--	--	--	1,175.43	--

6. Performance of directors during the report period

(1) The situation of the board of directors' meetings during this reporting period

The session of meetings	Holding date	Disclosure date	Meeting resolution
The Eighth Session Board of Directors 7th Meeting	2021.04.26	2021.04.28	The meeting deliberated and approved *2020 Annual Board of Directors' Work Report*, *2020 Annual General Manager's Work Report*, *2020 Annual Report*, *Proposal on 2020 Annual Performance Assessment Result of the Company's Senior Executives*, *Draft Proposal on 2020 Annual Profit Distribution*, *2020 Annual Self Assessment Report on Internal Control*, *2020 Annual Social Responsibility Report*, *Proposal on Relevant Issues of Convening 2020 Annual Shareholders' Meeting*, *Proposal on 2021 Annual Financial Budget*, *Proposal on 2021 Annual Capital Expenditure Plan*, *Proposal on 2021 Annual Routine Related Transaction*, *Proposal on Change in Accounting Policy* and *Proposal on Appointing Certified Public Accountants Firm*.
The Eighth Session Board of Directors 8th Meeting	2021.04.28	2021.04.29	The meeting deliberated and approved *2021 First Quarter Report*.
The Eighth Session Board of Directors 9th Meeting	2021.08.24	2021.08.26	The meeting deliberated and approved *2021 Semi-Annual Report* and *Proposal on 2021 Semi-Annual Profit Distribution*.
The Eighth Session Board of Directors 10th Meeting	2021.10.26	2021.10.28	The meeting deliberated and approved *2021 Third Quarter Report*.

(2) Attendance of directors for the board of directors' and the shareholders' meetings

Attendance of directors for the board of directors							
Name	Required attendance time	Personal attendance	Communication attendance	Authorized attendance	Absence	Whether or not to attend the meetings personally for successive twice	Attendance time for the shareholders' meeting
Zhou Hongjiang	4	2	2			No	1
Leng Bin	4	2	2			No	1
Sun Jian	4	2	2			No	1
Li Jiming	4	2	2			No	1
Chen Dianxin	4	2	2			No	1
Aldino Marzorati	4	2	2			No	0
Stefano Battioni	4	2	2			No	0
Enrico Sivieri	4	2	2			No	0
Chiang Yun	4	2	2			No	0
Luo Fei	4	2	2			No	0
Duan Changqing	4	2	2			No	0
Liu Huirong	4	2	2			No	0
Liu Qinglin	4	2	2			No	0
Yu Renzhu	4	2	2			No	0

Explanation for failed to personally attend the Board of Directors' meetings for successive two times

During the report period, there were no directors who did not attend the shareholders' meetings in person for two consecutive times.

(3) Any objections for the Company's projects from the directors

Whether or not the directors raised any objection for the Company's projects

□Yes ☑No

During the report period, the directors did not raise any objections for the Company's projects.

(4) Other explanations on directors' performance

Whether or not the directors' propositions are accepted by the Company

☑Yes ☐No

Explanation on acceptance or refusal of the independent directors' propositions to the Company

Some directors proposed to increase investment in the market, and the Company had adopted relevant suggestions and increased investment in marketing during the reporting period.

7. Performance of the special committees under the Board of Directors during the report period

Committees name	Members	Numbers of meeting held	Held date	Meeting contents	Important comments and suggestions made	Other performance of duties	Specific circumstances of the objection (if have)
Auditing Committee	Luo fei, Duan Changqing, Liu Huirong, Liu Qinglin, Yu Renzhu, Chen Dianxin, Leng Bin, Enrico Sivieri	2	2021.04.26	The meeting deliberated and approved the *2020 Annual Report*, *Draft Proposal on 2020 Annual Profit Distribution*, *Proposal on Appointing Certified Public Accountants Firm*, *2020 Annual Self Assessment Report on Internal Control*, *2021 Annual Internal Audit Plan*. All the committee members unanimously agreed to submit the above proposals to the board of directors of the company for deliberation.	During the reporting period, the members of the Audit Committee provided advice and suggestions in guiding the internal audit work, supervising and evaluating external audit institutions, establishing an effective internal control system and prompting major business risks, and actively safeguarded the interests of the company and all shareholders.	No	No
			2021.08.24	The meeting deliberated and approved the *2021 Semi-Annual Report* and *Proposal on 2021 Semi-Annual Profit Distribution*.		No	No
Emolument Committee	Luo fei, Duan Changqing, Liu Huirong, Liu	1	2021.04.26	The meeting deliberated and approved the *Proposal on 2020 Annual Performance Assessment Results of the Company's*	During the reporting period, the Emolument Committee put forward relevant suggestions on further	No	No

	Qinglin, Yu Renzhu, Chiang Yun, Leng Bin, Aldino Marzorati			*Senior Executives*.	strengthening the performance assessment of senior executives and improving the way of remuneration.		

8. The work of the Board of Supervisors

Whether or not the Board of Supervisors found any existence risk to the Company in oversight activities during the report period

□Yes ☑No

The Board of Supervisors has no objections to supervision matters during the report period.

9. Staff of the Company

(1) Staff number, specialty constitution and education degree

Incumbent staff number of parent company at the end of reporting period(people)	1,131
Incumbent staff number of major subsidiary companies at the end of reporting period (people)	1,166
Total incumbent staff at the end of reporting period (people)	2,297
Total staff getting paid in current period (people)	2,297
Retired staff number whose expenses are undertaken by parent company or subsidiary companies (people)	0
Specialty constitution	
Category	Number of people (people)
Production staff	742
Sales staff	1,091
Technical staff	149
Financial staff	119
Administrative staff	196
Total	2,297
Education degree	
Category	Number (People)
Postgraduate and above	86
Bachelor	819
Junior College	691
Technical secondary school or Senior high school	475
Junior high school and below	226
Total	2,297

(2) Remuneration policy

The Company has established and improved the remuneration and welfare system, including salary system, incentive mechanism, social security and medical insurance and so on, to ensure the participation of all employees. In accordance with the law, the Company purchases social endowment insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, and pays housing fund for the employees. Based on the principle of "distribution according to work and equal pay for equal work", the Company pays the staff's remuneration timely. With the improvement of the Company's profitability, the Company steadily improves the staff's remuneration and welfare, and provides its employees the competitive salary and equal opportunity for development.

(3) Training plan

① Senior and Middle-level Managers

1) General training

Choose training topics related to the company industry development, management direction and management concept in order to exploit strategic thinking of senior and middle-level administrative staff, promoting operation principle, and improve scientific decision-making ability and management ability.

Hold meetings instead of training, learn national and local policy, analyze domestic and foreign political situation and economic situation, study and understand the influence of related policies and regulations in the company's development, analyze the development trend of production, technology, management and marketing in domestic and foreign industries.

2)Professional training

Based on their respective work, organize them to attend Entrepreneur High-end Forum and Summit Meeting and go to domestic and foreign successful enterprise for visit and study.

Encourage middle-level administrative staff to attend university correspondence, self-study examination, MBA or other further education for master degree; organize professional management cadres, involved in human resources, finance, facility, safety and technology quality etc., to attend vocational qualification examination for professional certificate. Attend special training such as safety, human resource, law, technology, facility, finance and tourism etc., which are organized by special management department.

② Administrative Staff in Production, Tourism and Administrative Systems Whose Level are or Below Section Chief

1) General training

Hire a professional lecturer or university teacher to teach courses that are aiming at improving employee management ability, innovation ability and executive ability at the company.

Attend common-sense general training including company culture, regulatory framework and various liquor products knowledge, reinforce training in the aspect of human resource management and safety production.

Organize employee to attend outdoor quality expansion training in order to improve administrative staff physical quality and teamwork ability.

2) Professional training

Encourage eligible general administrative staff to attend university correspondence, self-study examination, MBA or other further education for master degree; organize professional administrative staff, involved in human resources, finance, facility, safety and technology quality etc., to attend vocational qualification examination for professional certificate.

Based on personnel work, attending special training such as safety, technology, facility, finance, human resource, legal, tourism, sales and integrated management etc., which are organized by special management department.

③ Front-line Workers in Production and Tourism System

1) General training

Attend common-sense general training including company culture, regulatory framework and various liquor products knowledge; reinforce training in the aspect of human resources management.

2) Professional training

For special types of work, organize to attend training which can improve professional skill and operation level. Organize job skill competitions to popularize professional knowledge and safety knowledge of different positions to relevant employees through edutainment.

Attend special training such as safety, technology, facility, comprehensive management etc., which are organized by the company.

④ Marketing Personnel

1) General training

Independently study marketing textbooks, mainly focusing on 'Growth', as well as training materials including the company's related management system, production knowledge, sales responsibility system etc..

2) Professional training

Professional lecturers would be employed to the company or through remote internet videos to give lectures about successful liquor cases, current economic trend research for domestic and foreign wine industry and other topics.

Strengthen the training for city marketing managers. Recruit lecturers with professional wine knowledge to provide professional wine knowledge, tasting knowledge and wine tasting etiquette training to the company's internal management and sales staffs.

For business directors and other personnel, each marketing management company should convene all marketing personnel to carry out marketing training and sharing through monthly video conferences, online sharing, WeChat interaction, on-site meetings, etc., so as to make progress together.

⑤ New Entry University Students

Senior and middle-level administrative staff in the company would be invited to train undergraduate for enterprise culture, regulatory framework, safety production, product quality, marketing strategy, emolument and evaluation system and so on in order for these undergraduate to understand the company's conditions in the shortest time.

Professional lecturers would be employed to conduct exterior training courses to undergraduate, such as role transition, workplace etiquette and team cooperation and so on.

(4) Labor outsourcing

☐Available ☑Not available

10. The Company's profit distribution and increasing equity with capital reserve

Profit distribution policies especially promulgation, implementation or adjustment of cash dividends policies during the report period

☑Available ☐Not available

Deliberated and passed by the 2020 Annual Shareholders' Meeting convened on May 27th, 2021 by the Company, the Company's 2020 annual profit distribution scheme is shown as follows: based on total 685,464,000 shares (including 453,460,800 A shares and 232,003,200 B shares) up to December 31st, 2020, the Company would pay cash dividend to all shareholders registered on the share registration day: CNY4（including tax）in cash per ten shares. This time the Company would neither dispatch bonus shares nor increase equity with capital reserve.

Total amount of shares has not changed since the disclosure of the distribution plan to the implementation period.

On July 6th, 2021, the Company published *the Implementation Announcement of 2020 Annual Equity Distribution* on *China Securities Journal*, *Securities Times* and *www.cninfo.com.cn*, determining that the share registration day and the ex-dividend day of A Share was respectively on July 12th, 2021 and on July 13th, 2021; the last trading day, the ex-dividend day and the share registration day of B Share was respectively on July 12th, 2021, on July 13th, 2021 and on July 15th, 2021.

This time the dispatching objects contain all A Share shareholders registered at China Securities Depository and Clearing Corporation Limited Shenzhen Company (hereinafter referred to as CSDC Shenzhen Company) after closing of Shenzhen Stock Exchange in the afternoon of July 12th, 2021 and all B Share shareholders registered at CSDC Shenzhen Company after closing of Shenzhen Stock Exchange in the afternoon of July 15th, 2021 (the last trading day is July 12th, 2021).

This dispatching has already been completed in mid-July 2021. The profit distribution scheme implemented this time is consistent with the scheme deliberated and passed by the shareholders' meeting. The implementation of the profit distribution scheme for this time is not more than two months after the shareholders' meeting passing it.

Special explanation for the cash dividends policy	
Whether it is in accordance with the requirements of the regulation in the Articles of Association and the resolution of shareholders' meeting	Yes
Whether the distribution standard and proportion is clear and definite	Yes
Whether the relevant decision process and mechanism is complete	Yes
Whether the independent directors perform their responsibilities and play the roles	Yes
Whether the small and middle shareholders have the chance to express their opinions and appeals, as well as their lawful right and interest is in an enough protection	Yes
Whether it is legal and transparent for the condition and process while adjusting and amending the cash dividends policy	Yes

During the report period, the Company earned profit, the profit of the parent company that could be distributed to shareholders was positive but without proposing cash dividend distribution preliminary scheme.

□Available ☑Not available

The Company's preliminary scheme of profit distribution and preliminary scheme of increasing equity with capital reserve for the report period

☑Available □Not available

Number of sending bonus shares per ten shares (share)	0
Number of dividend payout per ten shares (CNY) (including tax)	4.50
The cardinal number of the capital stocks for the preliminary distribution scheme (share)	685,464,000
Total cash dividend distribution（CNY）(including tax)	308,458,800
Amount of cash dividends (eg. shares buy-back)（CNY）in other ways	0
Total cash dividend distribution（CNY）(including other ways)	308,458,800
Attributable profit（CNY）	500,126,606

The proportion of cash dividend distribution in the total profit distribution (including other ways)	100
Cash dividend distribution this time	
If the Company's development is in growth stage and major capital expenditure is arranged, while making profit distribution, the proportion of cash dividends should takes up no less than 20% in this profit distribution.	
Detailed explanation for the preliminary scheme of profit distribution or increasing equity with capital reserve	

According to the audit result from KMPG Huazhen LLP, the net profit belonging to the parent company's shareholders in the consolidated statement in 2021 is CNY500,102,606 and the net profit of the parent company in financial statement in 2021 is CNY855,053,982. According to PRC accounting standard, the situation for attributable profits of the consolidation and the parent company at the end of 2021 as following:

Unit: CNY

	Consolidation	Parent company
Year-end undistributed profit	8,929,426,600	9,141,561,665
Among which: Total comprehensive income in 2021	500,102,606	855,053,982
Undistributed profit carried forward from beginning of the year	8,703,509,594	8,560,693,283
Dividends distribution of 2020	274,185,600	274,185,600
Legal earned surplus reserve to be drawn	0	0

According to regulation of 157th item in the *Articles of Association*, which is that "the Company can distribute dividends either in cash or by stock, the profit to be distributed each year is not less than 25% of the distributable profit realized in the same year and the accumulated sum of profit to be distributed in cash in the last three years is not less than 30% of the yearly average distributable profit to be realized in the last three years". Meanwhile, considering the large amount on the capital expenditure in 2022, under the condition of not influencing the normal production and operation, the Company put forward preliminary scheme on profit distribution in 2021 as following:

Because the left amount of legal earned surplus reserve reaches 50% of registered capital, while making profit distribution, the legal earned surplus reserve will not be drawn. Based on the Company's 685,464,000 shares at total up to December 31st, 2021, the Company plans to pay CNY4.5 in cash as dividends for every ten share (including tax) to the Company's all shareholders, totaling up to CNY308,458,800. The retained and undistributed net profit will be reserved for distribution in the next year.

The cash dividend distributed to shareholders of domestic listed foreign shares (B share) is paid in HKD converted based on the middle rate between CNY and HKD issued by the People's Bank of China on the first working day after the resolution date of 2021 shareholders' meeting.

11. Implementation of the Company's equity inventive plan, employee stock ownership plan or other employee incentive measures

☐Available ☑Not available

There are no implementation of the Company's equity inventive plan, employee stock ownership plan and other employee incentive measures during the report period.

12. Construction and implementation of internal control system during the reporting period

(1) Construction and implementation of internal control

For the construction and implementation of the company's internal control, please refer to the *2021 Annual Self-Assessment Report on Internal Control* disclosed in *Securities Times*, *China Securities Journal* and *www.cninfo.com.cn* on April 27, 2022.

(2) Specific situations for significant defects of the internal control found during the report period

☐Yes ☑No

13. The company's management and control over subsidiaries during the reporting period

Company name	Integration plan	Integration progress	Problems encountered in integration	Actions taken	Resolve progress	Follow-up resolution plan
None	None	None	None	None	None	None

14. Internal control self-assessment report or internal control audit report

(1) Internal control self-assessment report

Disclosure date for full text of the internal control self-assessment report	2022.04.27	
Disclosure index for full text of the internal control self-assessment report	*2021 Annual Self-Assessment Report on Internal Control disclosed on Securities Times,China Securities Journal and www.cninfo.com.cn by the Company on April 27, 2022*	
Percentage of total unit assets included in scope of the assessment accounting for the Company's total assets of consolidated financial statements	85.13%	
Percentage of unit operating income included in scope of the assessment accounting for the Company's operating income of consolidated financial statements	92.54%	
Standards of Defect Identification		
Category	Financial report	Non-financial report
Qualitative criteria	Significant defects: one defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report. For example: ① Company's Directors, Supervisors and Senior Management have fraudulent practices; ② The Company makes corrections for the published financial report; ③ The audit of external intermediary agent finds significant misstatement existing in the current financial report, but the Company does not	Significant defects: Any situations listed below appears, it can be regarded as significant defects. ① Operation: Unable to achieve all operation target or key business index, widely out of budget in various aspects. ② Safety accident effects: Cause no less than one person death, or more than 3 person serious injuries. ③ Major negative effects: Negative information frequently appears in the medias with involving a wide scope in the international and national

	realize it during the operation process; ④ Negative information frequently appears in the medias with involving a wide scope; ⑤ The Company's audit committee and internal audit department makes an inefficient supervision for internal control; ⑥ Other situations maybe cause significant misdirection which guides the report users to make the right judgment. Major defects: The defect of internal control, individually or together with other defects, has the reasonable probability to cause the significant misstatements, which cannot be promptly prevented, or found and corrected timely in the financial report, although the misstatements neither achieves nor exceeds the importance level but still arising the attention of Board of Directors and management team. ① Failure to select and apply accounting regulations in accordance with generally accepted accounting principles; ② Failure to establish the anti-fraud procedures and control measures; ③ Failure to set up corresponding control mechanism or to carry out and take corresponding compensating control for the accounting treatments with irregular and special deal; ④ Negative news appears in the media with influencing a wide scope; ⑤ One or more defects exist in the control during the process of the ending financial report, and the target of achieving truthfulness and integrality cannot be reasonably guaranteed in the financial report; ⑥ General defects refer to the other control defects, which do not constitute the significant and major defects.	mainstream media. ④ Environment effects: Create irreparable damages to environment, and cause massive public complains. Major defects: Any situations listed below appears, it can be regarded as major defects. ① Operation: Unable to achieve partly operation target, a big margin out of budget in various aspects. ② Safety accident effects: Without reaching the person loss or the number of serious injury of significant defects. ③ Major negative effects: Negative news appears in the media with influencing a wide scope in the provincial mainstream media. ④ Environment effects: Cause heavy environment damages and massive public complains, ought to carry out the significant remedial measures. General defects: Any situations listed below appears, it can be regarded as general defects. ① Operation: Other effects unable to constitute the significant defects or major defects. ② Safety accident effects: Personal injury less than the quantitative standards of major defects. ③ Major negative effects: Other defects unable to constitute the significant defects or major defects. ④ Environment effects: Other environment effects unable to constitute the significant defects or major defects.
Quantitative criterion	For total assets/Owner's equity: ① Significant defects: misstatements ≧1%, or ② Major defects: 0.5%≦misstatements<1%, or ③ General defects: misstatements<0.5% For operation revenue: ① significant defects: misstatements ≧1%, or ② Major defects: 0.5%≦misstatements<1%, or ③ General defects: misstatements<0.5% For pretax profit: ① Significant defects: misstatements≧5%,or	For direct property loss: ① Significant defects: More than CNY10million ② Major defects: CNY1million-CNY10million (including CNY1million) ③ General defects: Less than CNY1million

	② Major defects: 2%≦misstatements<5%,or ③ General defects: misstatements<2%	
Number of major defect in financial report		0
Number of major defect in non-financial report		0
Number of significant defect in financial report		0
Number of significant defect in non-financial report		0

(2) Internal control audit report

☑Available ☐Not available

Audit opinions of the internal control audit report	
We believe that, the company maintained effective internal control over financial reporting in all material aspects in accordance with the *Basic Norms for Corporate Internal Control* and related regulations on December 31st, 2021.	
Disclosure of the internal control audit report	Disclosure
Disclosure date for the full text of the internal control audit report	2022.04.27
Disclosure index for the full text of the internal control audit report	*2021 Annual Self-Assessment Report on Internal Control* disclosed on *Securities Times*, *China Securities Journal* and www.cninfo.com.cn by the Company on April 27, 2022.
Opinion type of the internal control audit report	Standard without reserved opinion
Whether or not exists significant defects in non-financial reports	No

Whether or not the accounting firm issued non-standard opinions for the audit report of internal control

☐Yes ☑No

Whether the audit report of internal control issued by the accounting firm is in consistency with the self-assessment report of the board of directors

☑Yes ☐No

15. Self-inspection and rectification of problems in the special action on governance of listed company

No.

V. Environmental and Social Responsibility

1. Major Environmental issues

Whether the listed company and its subsidiaries belong to major polluters published by the environmental protection department

☑Yes ☐No

Name of company or subsidiary	Name of major pollutants and particular pollutants	Mode of discharge	Quantity of discharge outlet	Distribution situation of discharge outlet	Discharge concentration	Implemented pollution discharge standard	Total volume of discharge	Total approved volume of discharge	Condition of excessive discharge
Liaoning Changyu Icewine Chateau Co., Ltd.	Organized exhaust gas, inorganized exhaust gas, waster water, noise	Discharge outlet of boiler chimney and discharge outlet of factory waste water	2	Confirmed in line with national standard *Graphical Signs for Environmental Protection* (GB15562.1-1995) (GB15562.2-1995)	Meeting the national standards	*Emission Standard for Air Pollutants of Boiler* (GB13271-2014), *Emission Standard for Odor Pollutants* (GB14554-93), 4a in Class 2 of *Emission Standard for Environmental Noise at the Boundary of Industrial Enterprises* (GB12348-2008), *Comprehensive Wastewater Discharge Standard of Liaoning Province* (DB21/1627-2008)	35m3/d	120m3/d	No

Construction and operation of pollution prevention facilities

The exhaust gas, SO_2 and NO_X produced by this company's boiler are discharged through ceramic tube dust removers and bag dust removers. A wastewater treatment station has been constructed. The wastewater treatment process adopts the treatment process of hydrolys is aerobiont. Production wastewater and domestic sewage are treated by the in-plant wastewater treatment station and then discharged into the waste water treatment plant in Beidianzixiang Town.

Environmental impact assessment of construction projects and other environmental protection administrative permits

It has been approved in the Huanhuanjianzi (2016) No.24 issued by the Environmental Protection Bureau of Huanren Manchu Autonomous County.

Emergency plan for emergent environmental incident

The Company has formulated a comprehensive emergency plan for emergent environmental incident.

Environmental self-monitoring program

The Company has formulated a complete environmental self-monitoring program.

Administrative penalties for environmental issues during the reporting period

Company or subsidiary name	Reason for penalty	Violation	Penalty result	The impact on the production and operation of listed companies	The company's rectification measures
None	None	None	None	None	None

Other environmental information that should be made public

No

Measures taken to reduce carbon emissions and their effects during the reporting period

☐Available ☑Not available

Other related environmental information

No

2. Social responsibility performance

Please refer to *2021 Annual Social Responsibility Report* disclosed on *Securities Times, China Securities Newspaper* and www.cninfo.com.cn by the Company.

3. Consolidate and expand the achievements of poverty alleviation and rural revitalization

The Company actively responds to the call of the state, served the rural revitalization well, adopted the mode of "company + farmer" or "company + cooperative + farmer", reformed the sloping fields of Jiaodong Peninsular and the northwestern area including Ningxia and Xinjiang and so on, the uncultivated land or the barren land into graperies. By means of providing capital and technology of viticulture to fruit growers, scientific management level of vineyard had been improved. The Company spared no effort to popularize the non-pollution and mechanized planting methods, continuously improved production efficiency of grape base and quality of grape, and reduced production cost of grape and labor intensity. Through the above measures, on the one hand, it promotes the effective use of land resources and improve the local ecological environment; on the other hand, it brings about CNY800million of economic income to fruit farmers across the country every year and practically helps rural revitalization and common prosperity.

The Company conducted point-to-point anti-poverty project to Huangchengyang Village in Shiliang, Longkou and purchased agricultural products worth more than CNY570thousand, to help solve the problem of slow sales; through the charity foundation, donated CNY300thousand in cash to Wushan in Chongqing for poverty alleviation.

VI. Major issues

1. Implementation of commitments

(1) Commitments that the Company's actual controllers, shareholders, related parties, acquirers and the Company and other related commitment parties have implemented during the report period and have not implemented up to the end of the report period

☑Available ☐Not available

Commitments	Commitment party	Commitment type	Commitment content	Commitment time	Commitment period	Implementation
Commitments at share reform						
Commitments made in acquisition report or equity changes report						
Commitments at asset restructuring						
	Yantai Changyu Group Co., Ltd.	Solve horizontal competition	Non-horizontal competition	1997.05.18	Forever	Has been performing

Commitments at the initial public offering or refinancing	Yantai Changyu Group Co.,Ltd.	Clear the use of trademark royalty	According to *Trademark License Contract*, the trademark royalty of Changyu and other trademarks paid by the Company to Yantai Changyu Group Co., Ltd. every year is mainly used for advertising Changyu and other trademarks and this contract products by Yantai Changyu Group Co., Ltd.	1997.05.18	1997.05.18 - 2019.04.04	According to *Trademark License Contract,* the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks including Changyu and contract products. Except 2013 to 2017 during which the commitment was not strictly performed, Yantai Changyu Group Co., Ltd. has been performing its commitment.
Equity incentive commitments						
Commitments at middle and small shareholders of the Company	Yantai Changyu Group Co.,Ltd.	Compensating unredeemed commitment	The CNY231,768,615 that was not used for publicity of trademarks and contract products as promised will be offset by the four-year trademark use fee from 2019 to 2022. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence.	2019.04.04	2019.04.04 - 2023.12.31	Has been performing
Commitment under timely implementation or not	Yes					
Whether or not to have specific reasons of the unimplemented commitment and next steps	According to the *Trademark License Contract* (hereafter referred to as "the Contract"), Changyu Group promises that the trademark use fee annually paid by the Company to Changyu Group shall be mainly used by Changyu Group to publicize trademarks and contract products. But above-mentioned 'mainly' is not a specific number, which is easy to cause divergence due to different understanding and leads to problem appearance during the implementation process. From 2013 to 2017, Changyu Group collected a total of CNY420,883,902 trademark use fee, of which 51% was used to publicize trademarks including Changyu and contract products with amount of CNY214,650,790. The amount has been used to publicize trademarks including Changyu and contract products is CNY50,025,181, with a balance of CNY164,625,609. In 2018					

	and 2019, the trademark use fee collected of 2017 and 2018 is CNY155,623,907, of which 51% is used to publicize trademarks including Changyu and contract products with amount of CNY79,368,193. The amount has been used to publicize trademarks including Changyu and contract products is CNY12,225,187, with a balance of CNY67,143,006. From 2013 to 2018, the accumulated balance of Changyu Group using to publicize trademarks including Changyu and contract products is CNY231,768,615. Changyu Group promises that the four-year trademark use fee from 2019 to 2022 will be used for offset. If insufficient, the shortfall would be filled in one time in 2023. If there is any excess, the excess portion of the trademark use fee would be collected from the year with excess occurrence. If Changyu Group is not able to implement the above-mentioned commitment owing to various reasons, the Company will timely supervise and urge Changyu Group to fulfill its commitment and request Changyu Group to raise funds through bank loaning, assets sales and equity sales etc. in order to implement the commitment. For detailed information, please refer to *Announcement on Commitment Issues of Yantai Changyu Group Co., Ltd.* disclosed on April 4th, 2019.

(2) The Company should make a statement on the achieved original profit forecast of assets or projects and its reason if there is profit forecast of Company's assets or projects and the report period is still in the profit forecast period

□Available ☑Not available

2. Non-operating capital occupying of listed company by controlling shareholder and its related parties

□Available ☑Not available

There are no non-operating capitals occupying of listed company by controlling shareholder and its related parties during the report period.

3. Illegal external guarantee

□Available ☑Not available

There is no illegal guarantee situation during the report period.

4. Explanation of board of directors on the latest Non-standard Audit Report

□Available ☑Not available

5. Explanation of Non-standard Audit Report given by accounting firm in the report period from board of directors, board of supervisors and independent directors (if have)

□Available ☑Not available

6. Compared with the last year's financial report, explanation of the changes in accounting policy, accounting estimation or correction of significant accounting errors

☐Available ☑Not available

There is no changes of accounting policy, accounting estimation or correction of significant accounting errors during the report period.

7. Compared with the last year's financial report, explanation for the changes of the consolidated statements scope

☑Available ☐Not available

For details of the the changes of the consolidated statements scope this year, please refer to Note 6: "Change in consolidation scope" to the financial report of this report .

8. The appointment and dismissal of certified public accountants

Currently appointed accounting firm

Domestic accounting firm name	KPMG Hua Zhen LLP
Remuneration for domestic accounting firm (CNY'0000)	205
Consecutive period for the audit service of domestic accounting firm	3
Name of certified public accountant for the audit service of domestic accounting firm	Ms. Wang Ting, Ms. Xu Weiran
Consecutive period for the certified public accountant's audit service of domestic accounting firm	3
Overseas accounting firm name (if have)	—
Remuneration for overseas accounting firm (CNY'0000) (if have)	0
Consecutive period for the audit service of overseas accounting firm (if have)	—
Name of certified public accountant for the audit service of overseas accounting firm (if have)	—
Consecutive period for the certified public accountant's audit service of overseas accounting firm (if have)	—

Whether or not to employ a new accounting firm during the report period

☐Yes ☑No

To employ internal control audit accounting firms, financial adviser or sponsor.

☑Available ☐Not available

This year, KPMG Huazhen LLP was hired as the internal control audit institution. The audit fee was not determined separately, but was CNY2.05million together with the financial report audit fee.

9. Face of suspension and termination of listing after the disclosure of annual report

☐Available ☑Not available

10. Bankruptcy reorganization

☐Available ☑Not available

There is no bankruptcy reorganization during the report period.

11. Material litigation and arbitration

□Available ☑Not available

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

12. Penalty and rectification

□Available ☑Not available

There are no penalty and rectification during the report period

13. Credit of the Company, holding shareholders and actual controllers

□Available ☑Not available

14. Significant related transactions

(1) Related transactions in relation to daily operations

☑Available □Not available

Related party	Relationship	Type	Content	Pricing principle	Price	Amount (CNY‘0000)	Proportion accounting for amount of similar transactions	Approved transaction quota (CNY‘0000)	Whether exceed approved transaction quota	Clearing form	Available market price of similar transactions	Disclosure date	Disclosure index
Yantai Shenma Packaging Co., Ltd.	Controlled by the same parent company	Purchase and commission processing	Purchase and commission processing packaging materials	Agreement pricing	Determined by agreement	8,076	14.20%	10,200	No	Cash	No	April 28th, 2021	*Announcement on 2021 Annual Routine Related Transaction* disclosed in *China Securities Journal,SecuritiesTimes* and *CNINFO* in 2021
Total				--	--	8,076	--	10,200	--	--	--	--	--
Details of the return of large sales				No									
Actual performance of the estimated total amount for daily operations related transactions by category that will occur during this period. (if have)				No									
Reason for the deference between transaction price and market reference price(if available)				Not available									

(2) Related transactions in relation to acquisition and sales of assets or equity

☐Available ☑Not available

There is no related transactions in relation to acquisition or sales of assets or equity during the report period.

(3) Related transactions in relation to common foreign investment

☐Available ☑Not available

There is no related transactions in relation to common foreign investment during the report period.

(4) Related current credit and debt transactions

☑Available ☐Not available

Whether or not existing non-operating related credit and debt transactions

☐Yes ☑No

There is no non-operating related credit and debt transactions during the report period.

(5) Transactions with related financial companies

☐Available ☑Not available

There is no deposit, loan, credit or other financial business between the Company and related financial companies and related parties.

(6) Transactions between the related parties and financial companies controlled by the Company

☐Available ☑Not available

There is no deposit, loan, credit or other financial business between the related parties and the financial companies controlled by the Company.

(7) Other major related transactions

☑Available ☐Not available

For other major related transactions, please refer to the Section X " Related Parties and Related Transaction" of the Financial Report of this report.

Disclosure website of interim report for major related transaction

Name of interim announcement	Disclosure date of interim announcement	Name of disclosure website for interim announcement
None		*None*

15. Major and important contracts and execution results

(1) Trusteeship, contract and leasehold issues

① Trusteeship situation

☐Available ☑Not available

There is no trusteeship situation during the report period

② Contract situation

☐Available ☑Not available

There is no contract situation during the report period.

③ Leasehold situation

☐Available ☑Not available

There is no leasehold situation during the report period.

(2) Major guarantee

☑Available ☐Not available

Unit: CNY'0000

External guarantee of the Company and its subsidiaries (excluding guarantee to subsidiaries)										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence (date of agreement)	Actual guarantee amount	Guarantee type	Collateral (if have)	Counterguarantee situation (if have)	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Economic and Technological Development Zone Management Council.	2016.12.22	34,160	2016.12.21	34,160	Joint liability assurance; Mortgage	-	-	10 years	No	No
Total of the external guarantee quota approved during the report period (A1)		0			Total of the actual external guarantee amount during the report period (A2)				0	
Total of the external guarantee quota approved by the end of the report period (A3)		34,160			Balance of the actual external guarantee by the end of the report period (A4)				34,160	

Guarantee situations between the Company and subsidiaries										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral	Counterguarantee situation	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
Yantai Changyu Wine Research and Development Company Limited	2016.12.22	72,176	2016.12.21	72,176	Joint liability assurance; Mortgage	-	-	10 years	No	Yes
Kilikanoon Estate Pty Ltd	2018.12.05	8,528	2018.12.13	7,518	Joint liability assurance	-	-	5 year	No	Yes
Total of the guarantee quota approved to subsidiaries during the report period (B1)		0			Total of the actual guarantee amount for subsidiaries during the report period (B2)				0	
Total of the guarantee quota approved to subsidiaries by the end of the report period (B3)		80,704			Balance of the actual guarantee for subsidiaries by the end of the report period (B4)				79,694	
Guarantee situations between subsidiaries										
Guarantee object name	Disclosure date of related announcement about guarantee quota	Guarantee quota	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral	Counterguarantee situation	Guarantee Period	Whether or not complete implementation	Whether or not belong to related-party guarantee
-	-	-	-	-	-	-	-	-	-	-
Total of the guarantee quota approved to subsidiaries during the report period (C1)		0			Total of the actual guarantee amount for subsidiaries during the report period (C2)				0	
Total of the guarantee quota approved to subsidiaries by the end of the report period (C3)		0			Balance of the actual guarantee for subsidiaries by the end of the report period (C4)				0	
Total guarantee amount of the Company（Total of above three major items)										

Total of the approved guarantee quota during the report period（A1+B1+C1）	0	Total of the actual guarantee amount during the report period（A2+B2+C2）	0
Total of the approved guarantee quota by the end of the report period（A3+B3+C3）	114,864	Balance of the actual guarantee by the end of the report period（A4+B4+C4）	113,854
The proportion of actual total guarantee amount (A4+B4+C4) accounting for the Company's net asset		10.90%	
Among :			
The amount of guarantee for shareholders, actual controllers and their related parties（D）		0	
The amount of debt guarantee for the guaranteed objects whose asset-liability ratio is more than 70% directly or indirectly（E）		0	
Total amount of guarantee of the part that exceeds 50% of net assets（F）		0	
Total amount of the above-mentioned three items（D+E+F）		0	
Explanation for undue guarantees that have happened warranty liability or may take joint payback liabilities during the report period (if have)		No	
Explanation for violating due process to provide external guarantee (if have)		No	

Description of the specific situation of using compound guarantee

No.

(3) Entrusting others to manage cash assets

① Financial management entrustment

□Available ☑Not available

There is no financial management entrustment during the report period.

② Loan entrustment

□Available ☑Not available

There is no loan entrustment during the report period.

(4) Other important contracts

□Available ☑Not available

There are no other important contracts during the report period.

16. Other Major issues

□Available ☑Not available

There are no other major issues need to be explained during the report period.

17. Major issues of Company's subsidiaries

□Available ☑Not available

VII. Changes in Shares and the Shareholders' Situation

1. Changes in shares

(1) Changes in shares

Unit: share

	Amount before this change		Change (+, -)					Amount after this change	
	Amount	Percentage %	Allot new share	Distribute bonus share	Transfer other capital to share capital	Others	Subtotal	Amount	Percentage %
I. Shares with trading limited condition									
1. State-owned holdings									
2. State-owned legal person holdings									
3. Other domestic holdings									
Among which: domestic legal person									
domestic natural person									
4. Foreign-owned holdings									
Among which: foreign legal person									
foreign natural person									
II. Shares without trading limited condition	685,464,000	100%						685,464,000	100%
1. A shares	453,460,800	66.15%						453,460,800	66.15%

2. B shares	232,003,200	33.85%						232,003,200	33.85%
3. Oversea listed foreign shares									
4. Others									
III. Total shares	685,464,000	100%						685,464,000	100%

Cause of share change

☐Available ☑Not available

Approval of share change

☐Available ☑Not available

Transfer ownership of changed shares

☐Available ☑Not available

The influence of share change on the financial indicators such as basic earnings per share, diluted earnings per share of the latest year and the latest period, net asset per share belonging to the Company's common shareholders, etc..

☐Available ☑Not available

Other contents the Company thinks necessary or securities regulatory departments ask to make public.

☐Available ☑Not available

(2) Changes in restricted shares

☐Available ☑Not available

2. Securities issuance and listing situation

(1) Securities issuance (exclude preferred share) during report period

□Available ☑Not available

(2) Explanation of change in Company's total shares and shareholding structure and change in Company's assets and liability structure

□Available ☑Not available

(3) Current internal employee shares

□Available ☑Not available

3. Situation for shareholders and the actual controllers

(1) The number of shareholders of the Company and the shareholdings

Unit：share

Total shareholders in the report period	51,552	Total number of shareholders by the end of last month before the disclosure day of the annual report	50,528	Total number of preferred shareholder recovering voting power by the end of report period (if have) (see note 8)	0	Total number of preferred shareholder recovering voting power by the end of last month before the disclosure day of the annual report (if have) (see note 8)	0	
Shareholders holding more than 5% or the top 10 shareholders holding situation								
Name of Shareholders	Character of shareholders	Percentage (%)	Shares held until the end of the report period	Changes during the report period	Number of restricted shares	Number of unrestricted shares	Pledged or frozen	
							Share status	Amount
YANTAI CHANGYU GROUP CO., LTD.	Domestic non-state legal person	50.40%	345,473,856	0	0	345,473,856	-	-
GAOLING FUND, L.P.	Foreign legal person	3.08%	21,090,219	0	0	21,090,219	-	-
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	Foreign legal person	1.33%	9,140,216	-5135489	0	9,140,216	-	-
SHENWAN HONGYUAN	Foreign legal person	1.08%	7,413,952	-817781	0	7,413,952	-	-

SECURITIES(HONGKONG) LIMITED								
FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	Foreign legal person	0.93%	6,350,762	0	0	6,350,762	-	-
Haitong International Securities Company Limited-Account Client	Foreign legal person	0.74%	5,060,702	-421243	0	5,060,702	-	-
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.73%	5,011,871	-470074	0	5,011,871	-	-
Fengdi JIANG	Domestic natural person	0.71%	4,854,000	4369300	0	4,854,000	-	-
China Merchants Futures (Hong Kong) Co., Limited	Foreign legal person	0.67%	4,589,660	1380939	0	4,589,660	-	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.61%	4,170,863	362414	0	4,170,863	-	-
Strategic investors or legal result of the placement of new shares to become a top 10 shareholders		No						
The explanation for the associated relationship and accordant action		Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, while the relationship among the other shareholders is unknown.						
Explanation of the above-mentioned shareholders' entrustment/ fiduciary voting rights and waiver of the voting rights		No						
Special explanation for the existence of a special repurchase account among the top 10 shareholders		No						

The top 10 shareholders with shares without trading limited condition			
Name of Shareholders	Number of shares without trading limited condition held until the end of the year	Type of share	
		Type of share	Amount
YANTAI CHANGYU GROUP CO., LTD.	345,473,856	A	345,473,856
GAOLING FUND, L.P.	21,090,219	B	21,090,219
BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	9,140,216	B	9,140,216
SHENWAN HONGYUAN SECURITIES(HONGKONG) LIMITED	7,413,952	B	7,413,952

FIDELITY PURITAN TRUST: FIDELITY SERIES INTRINSIC OPPORTUNITIES FUND	6,350,762	B	6,350,762
Haitong International Securities Company Limited-Account Client	5,060,702	B	5,060,702
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	5,011,871	B	5,011,871
Fengdi JIANG	4,854,000	A	4,854,000
China Merchants Futures (Hong Kong) Co., Limited	4,589,660	B	4,589,660
VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,170,863	B	4,170,863
The explanation for the associated relationship and accordant action of the top 10 shareholders with unrestricted shares, the the associated relationship and accordant action between the top 10 shareholders with unrestricted shares and the top 10 shareholders	Among the top 10 shareholders, Yantai Changyu Group Company Limited has no associated relationship or accordant action relationship with the other 9 listed shareholders, and the relationship among the other shareholders is unknown.		
Explanation for the top 10 shareholders who involved in financing activities and stock trading business (if have)(see note 4)	The top 10 shareholders do not involve in financing activities and stock trade business.		

Whether or not the Company's top 10 common shareholders and shareholders with shares without trading limited condition take agreed repurchase trading during the report period

□Yes ☑No

There is no agreed repurchase trading taken by the Company's top 10 common shareholders and shareholders with shares without trading limited condition during the report period.

(2) Situation for the controlling shareholders of the Company

Property of holding shareholders: Property of holding main body undefined

Type of holding shareholders: Legal representative

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Yantai Changyu Group Co., Ltd.	Zhou Hongjiang	1997.04.27	913706002656458244	Production of wine, healthy liquor, distilled liquor and

				beverages(only produced by subsidiaries, shareholding companies and branches), sales of the above-mentioned products, cultivation of agricultural products and export business under the scope of permission.
Equity situation for the other domestic listed companies controlled or shared by the controlling shareholders during the report period	No.			

Changes in the controlling shareholder during the report period

☐Available ☑Not available

There are no changes in the controlling shareholder during the report period.

(3) Situation for the actual controllers of the Company an its persons acting in concert

Property of actual controllers: domestic other institutions; foreign other institutions

Type of actual controllers: Legal representative

Name of actual controllers	Legal representative	Establishment date	Organization code	Main business
Yantai Yuhua Investment & Development Co., Ltd.	Jiang Hua	2004.10.28	76779294-7	Under state permission, property investment, tenancy of machine and facility, wholesale and retail of construction material, chemical products (chemical hazard products excluded), hardware and electronical products, grape plantation.
ILLVA Saronno Holding S.p.a.	ALDINO MARZORATI	1984.07.25	-	Directly or indirectly conduct the production and distribution of food products (alcoholic products included) as well as industrial, commercial, financial and service activities of any other kinds through joint-stock companies and organizations.
International Finance Corporation	Philippe LE HOUEROU	1956.07.25	-	International Finance Corporation is one of the members of World Bank, mainly dedicated to investment in private sectors of developing countries while providing technical support and consultation service. The corporation is a multilateral financial institution that ranks first in the world in terms of providing capital stock and loans to developing countries. Its purpose is to promote sustainable investments of private sectors of developing countries in order to alleviate poverty and improve people’s life.

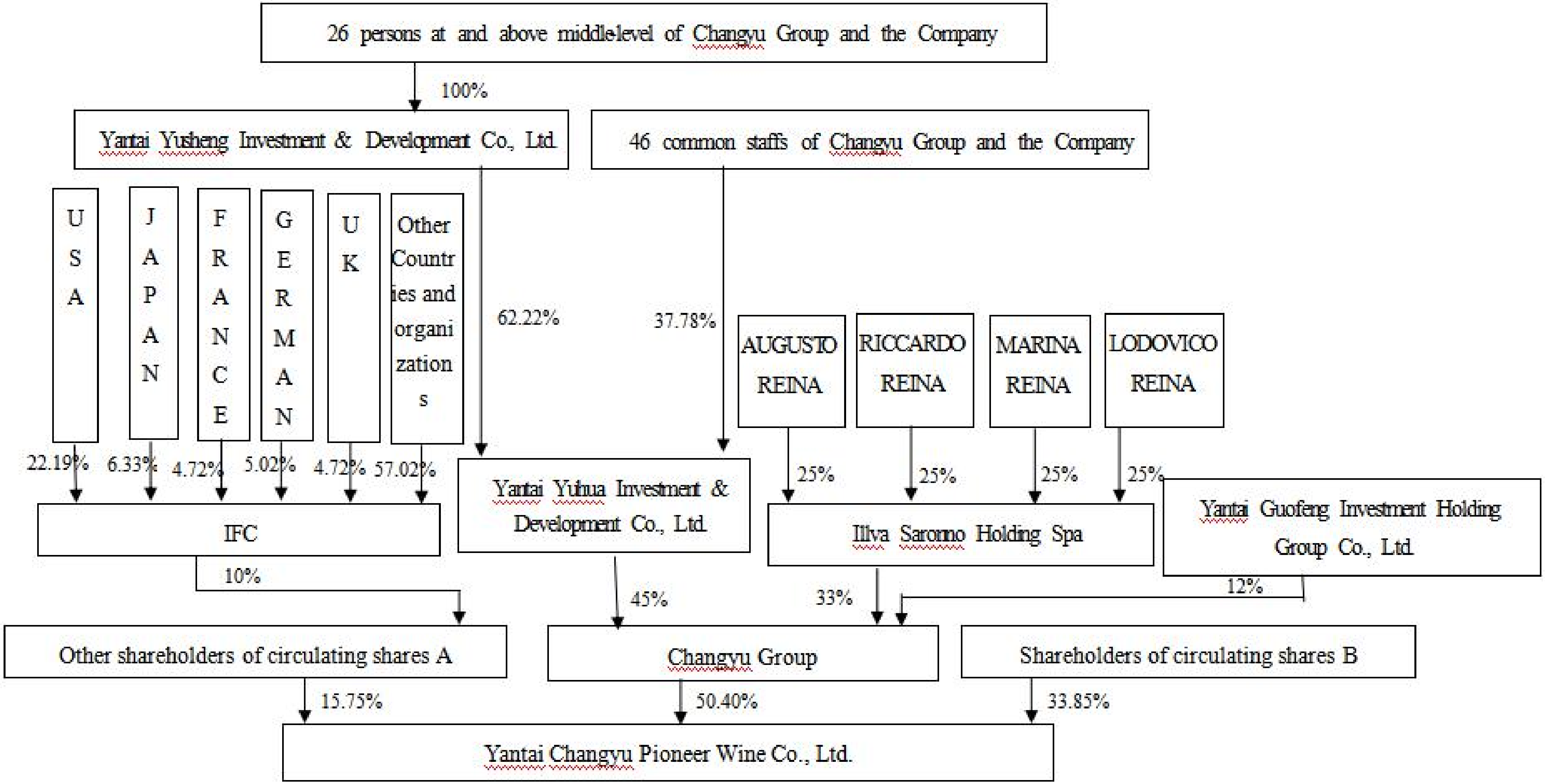
Yantai Guofeng Investment Holdings Group Co., Ltd.	Rong Feng	2009.02.12	00426068-6	Operating management of state-owned property right (stock right) authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; Financing, investment and operating management of government projects, such as strategic investment and industrial investment and so on; Capital operation (including acquisition, reintegration and transfer, etc) of state-owned property right and state-owned stock right within the scope of authorization; Venture capital investment business; Agency of venture capital investment business of other venture investment enterprises or individuals; Participation in the establishment of venture capital investment enterprises and venture capital investment management consultant institutions; Investment and financing service and consulting business; Investment and financing consultant business; Other business authorized by State-owned Assets Supervision and Administration Commission of Yantai Municipal Government; wholesale and retail of non-ferrous metal mineral products, gold (spot good), silver (spot good), chemical products (excluding dangerous goods), battery materials (excluding dangerous chemicals); import and export of goods and technologies. (The business scope does not include national pre-approval projects and projects restricted by national industrial policies; projects that are subject to approval according to law can only carry out business activities after approval by relevant departments).
Equity situation for the other domestic listed companies controlled by the actual controller during the report period		Yantai Yuhua Investment & Development Co., Ltd. did not control the equity of other domestic and foreign listed companies except the Company during the reporting period; It is not clear that other actual controllers control the equity of other domestic and foreign listed companies other than the Company during the reporting period.		

Changes of the actual controllers during the report period

☐Available ☑Not available

There are no changes in actual controllers during the report period.

Introduction for property right and control relations between the Company and its actual controllers



Actual controller controls the Company through a trust or other asset management ways

☐Available ☑Not available

(4) The company’s controlling shareholder or the largest shareholder and its concerted action person’s cumulative pledged shares account for 80% of the company’s shares held by them

□Available ☑Not available

(5) Other institutional shareholders holding more than 10% shares

□Available ☑Not available

(6) Shares reduction situations of holding shareholders, actual controllers, restructuring side and other commitment subjects

□Available ☑Not available

4. The specific implementation of share repurchase during the reporting period

Implementation progress of share repurchase

□Available ☑Not available

Implementation progress of reducing share repurchased by centralized bidding

□Available ☑Not available

VIII. Related Situation of Preferred Shares

□Available ☑Not available

There are no preferred shares during the report period.

IX. Related Situation of Bonds

□Available ☑Not available

X. Financial Report

1. Audit Report

Type of audit opinion	Standard unqualified audit opinion
Date signed on audit report	April 25, 2022
Audit agency name	KPMG HuazhenCertified Public Accountants Co., Ltd. (special general partnership)
Audit report No.	KPMG Huazhen ShenZi No. 2205034
Certified public accountant's name	Ms. Wang Ting, Ms. Xu Weiran

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2205034

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 2021, 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 company financial position of Yantai Changyu as at 31 December 2021, 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. 2205034

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" 37.</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 distributors. All distributor transaction terms adopt the unified transaction terms formulated by Yantai Changyu Group.

Based on the contractual agreement and the business arrangement, Yantai Changyu sells products to distributors and the transfer of product ownership is completed and the revenue is recognised 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 a risk that management may recognise revenue earlier or later in order to meet specific performance targets or expectations, therefore, the risk of cut-off misstatement arising from distributors' sales revenue is identified 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 the sales contracts Yantai Changyu signed with distributors in order to examine whether Yantai Changyu 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 recorded for the year 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;</td></tr>
</table>

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2205034

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Recognition of Sales Revenue from Distributors (continued)</th></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” 37.</td></tr>
<tr><td>The Key Audit Matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>• 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;

• Check the sales record after the balance sheet date to identify significant sales returns and check relevant supporting files (If applicable) 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.</td></tr>
</table>

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2205034

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2021 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. 2205034

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. 2205034

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

Xu Weiran
(Signature and stamp)

Date: 25 April 2022

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Assets			
Current assets			
Cash at bank and on hand	V.1	1,567,095,993	1,194,214,929
Bills receivable	V.2	42,827,666	-
Accounts receivable	V.3	291,006,410	183,853,362
Receivables under financing	V.4	364,457,497	338,090,187
Prepayments	V.5	75,235,879	71,296,416
Other receivables	V.6	30,125,270	22,428,956
Inventories	V.7	2,802,622,520	2,945,548,651
Other current assets	V.8	217,152,601	234,118,715
Total current assets		5,390,523,836	4,989,551,216
Non-current assets			
Long-term equity investments	V.9	46,496,510	48,263,507
Investment properties	V.10	24,502,258	27,057,730
Fixed assets	V.11	5,687,867,314	5,724,935,846
Construction in progress	V.12	590,172,099	635,495,152
Bearer biological assets	V.13	193,712,942	192,173,536
Right-of-use assets	V.14	134,569,039	-
Intangible assets	V.15	617,866,879	660,989,065
Goodwill	V.16	112,374,541	132,938,212
Long-term deferred expenses	V.17	284,593,163	314,465,855
Deferred tax assets	V.18	245,210,731	206,241,275
Other non-current assets	V.19	144,120,442	170,370,147
Total non-current assets		8,081,485,918	8,112,930,325
Total assets		13,472,009,754	13,102,481,541

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V.20	622,066,457	689,090,715
Accounts payable	V.21	493,453,816	484,347,958
Contract liabilities	V.22	147,120,716	135,073,280
Employee benefits payable	V.23	195,019,441	188,779,911
Taxes payable	V.24	342,322,300	213,412,813
Other payables	V.25	453,033,491	386,105,526
Other current liabilities	V.26	18,374,193	14,820,653
Non-current liabilities due within one year	V.27	110,865,126	133,311,890
Total current liabilities		2,382,255,540	2,244,942,746
Non-current liabilities			
Long-term loans	V.28	176,047,043	200,352,968
Lease liabilities	V.14	101,811,588	-
Long-term payables	V.29	64,000,000	86,000,000
Deferred income	V.30	41,295,338	52,653,609
Deferred tax liabilities	V.18	11,803,970	12,022,613
Other non-current liabilities	V.31	2,119,671	2,078,971
Total non-current liabilities		397,077,610	353,108,161
Total liabilities		2,779,333,150	2,598,050,907

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V.32	685,464,000	685,464,000
Capital reserve	V.33	524,968,760	524,968,760
Other comprehensive income	V.34	(34,707,177)	576,129
Surplus reserve	V.35	342,732,000	342,732,000
Retained earnings	V.36	8,929,426,600	8,714,091,755
Total equity attributable to shareholders of the Company		10,447,884,183	10,267,832,644
Non-controlling interests		244,792,421	236,597,990
Total owners' equity		10,692,676,604	10,504,430,634
Total liabilities and shareholders' equity		13,472,009,754	13,102,481,541

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Assets			
Current assets			
Cash at bank and on hand		562,588,819	267,548,326
Bills receivable	XIV.1	9,800,000	-
Receivables under financing	XIV.2	62,411,636	13,920,000
Prepayments		406,500	171,709
Other receivables	XIV.3	398,072,976	580,131,798
Inventories		383,294,208	482,442,935
Other current assets		20,637,860	24,842,325
Total current assets		1,437,211,999	1,369,057,093
Non-current assets			
Long-term equity investments	XIV.4	7,599,421,494	7,599,778,880
Investment properties		24,502,258	-
Fixed assets		231,284,799	270,692,477
Construction in progress		255,996	2,865,243
Bearer biological assets		114,753,306	115,103,753
Right-of-use assets		36,826,342	-
Intangible assets		78,043,888	80,789,731
Deferred tax assets		18,033,185	18,285,685
Other non-current assets		2,023,500,000	1,530,700,000
Total non-current assets		10,126,621,268	9,618,215,769
Total assets		11,563,833,267	10,987,272,862

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		150,000,000	150,000,000
Accounts payable		90,339,903	76,470,081
Employee benefits payable		66,770,838	67,808,910
Taxes payable		32,588,429	9,123,959
Other payables		445,874,937	521,505,947
Non-current liabilities due within one year		1,485,190	-
Total current liabilities		787,059,297	824,908,897
Non-current liabilities			
Lease liabilities		43,312,517	-
Deferred income		2,268,527	5,507,708
Deferred tax liabilities		88,555	-
Other non-current liabilities		1,164,471	1,164,471
Total non-current liabilities		46,834,070	6,672,179
Total liabilities		833,893,367	831,581,076

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		685,464,000	685,464,000
Capital reserve		560,182,235	560,182,235
Surplus reserve		342,732,000	342,732,000
Retained earnings		9,141,561,665	8,567,313,551
Total owners' equity		10,729,939,900	10,155,691,786
Total liabilities and shareholders' equity		11,563,833,267	10,987,272,862

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
I. Operating income	V.37	3,953,067,583	3,395,402,001
Less: Operating cost	V.37	1,647,789,874	1,503,877,407
Taxes and surcharges	V.38	264,057,570	203,789,274
Selling and distribution expenses	V.39	998,954,105	788,252,485
General and administrative expenses	V.40	299,076,376	290,646,466
Research and development expenses		10,919,262	4,531,418
Financial expenses	V.41	21,178,727	20,441,713
Including: Interest expenses		28,851,606	32,890,621
Interest income		19,558,354	14,247,274
Add: Other income	V.42	48,240,741	73,063,620
Investment losses	V.43	(2,784,997)	(2,217,623)
Including: Losses from investment in joint ventures and associates		(2,784,997)	(2,217,623)
Credit (losses)/reversal	V.44	(7,937,144)	4,348,309
Impairment losses	V.45	(19,874,251)	(3,215,978)
Losses from disposal of assets	V.46	(11,939,284)	(1,180,655)

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	2021	2020
II. Operating profit		716,796,734	654,660,911
Add: Non-operating income	V.47	5,214,304	11,908,510
Less: Non-operating expenses	V.47	6,311,844	1,702,858
III. Total profit		715,699,194	664,866,563
Less: Income tax expenses	V.48	209,020,821	191,804,500
IV. Net profit		506,678,373	473,062,063
(1) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		506,678,373	473,062,063
2. Net profit from discontinued operations		-	-
(2) Net profit classified by ownership:			
1. Net profit attributable to owners of the Company		500,102,606	470,860,587
2. Non-controlling interests		6,575,767	2,201,476
V. Other comprehensive income, net of tax		(39,307,949)	5,171,635
(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		(35,283,306)	4,811,712
Translation differences arising from translation of foreign currency financial statements		(35,283,306)	4,811,712
(2) Other comprehensive income (net of tax) attributable to non-controlling interests		(4,024,643)	359,923

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*2021*	*2020*
VI. Total comprehensive income for the year		467,370,424	478,233,698
(1) Attributable to shareholders of the Company		464,819,300	475,672,299
(2) Attributable to non-controlling interests		2,551,124	2,561,399
VII. Earnings per share:			
(1) Basic earnings per share	V.49	0.73	0.69
(2) Diluted earnings per share	V.49	0.73	0.69

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company income statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

			Note	*2021*	*2020*
I.	Operating income		XIV.5	578,895,802	512,303,553
	Less:	Operating cost	XIV.5	472,158,738	452,368,512
		Taxes and surcharges		38,263,612	19,841,835
		General and administrative expenses		74,948,200	74,929,302
		Research and development expenses		907,975	728,793
		Financial expenses		2,193,348	(602,459)
		Including: Interest expenses		5,870,092	4,875,912
		Interest income		7,122,455	5,594,285
	Add:	Other income		6,108,832	5,339,898
		Investment income	XIV.6	867,523,178	449,504,721
		Credit reversal		-	601,610
II.	Operating profit			864,055,939	420,483,799
	Add:	Non-operating income		997,416	3,961,267
	Less:	Non-operating expenses		3,295,694	1,050,415

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company income statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		Note	*2021*	*2020*
III.	Total profit		861,757,661	423,394,651
	Less: Income tax expenses		6,703,679	(3,766,123)
IV.	Net profit		855,053,982	427,160,774
	(i) Net profit from continuing operations		855,053,982	427,160,774
	(ii) Net profit from discontinued operations		-	-
V.	Other comprehensive income, net of tax		-	-
VI.	Total comprehensive income for the year		855,053,982	427,160,774

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Note	*2021*	*2020*
I.	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		3,674,741,084	3,259,057,195
	Refund of taxes and surcharges		48,716,047	45,642,498
	Proceeds from other operating activities	V.50(1)	89,142,251	81,197,248
	Sub-total of cash inflows		3,812,599,382	3,385,896,941
	Payment for goods and services		957,499,905	1,095,500,438
	Payment to and for employees		507,532,110	529,304,037
	Payment of various taxes		659,986,692	704,054,796
	Payment for other operating activities	V.50(2)	562,198,017	551,890,997
	Sub-total of cash outflows		2,687,216,724	2,880,750,268
	Net cash flows from operating activities	V.51(1)	1,125,382,658	505,146,673
II.	Cash flows from investing activities:			
	Proceeds from disposal of investments		93,553,062	135,647,402
	Investment returns received		2,587,932	1,730,511
	Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		7,923,724	49,200,301
	Sub-total of cash inflows		104,064,718	186,578,214
	Payment for acquisition of fixed assets, intangible assets and other long-term assets		225,502,766	155,918,502
	Payment for acquisition of investments		54,218,000	83,508,393
	Net cash paid for the acquisition of subsidiaries and other business units	V.51(2)	-	89,519,789
	Sub-total of cash outflows		279,720,766	328,946,684
	Net cash flows from investing activities		(175,656,048)	(142,368,470)

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		Note	2021	2020
III.	Cash flows from financing activities:			
	Proceeds from investors		7,840,000	-
	Proceeds from borrowings		847,358,786	987,668,379
	Sub-total of cash inflows		855,198,786	987,668,379
	Repayments of borrowings		1,036,788,771	1,098,773,637
	Payment for dividends, profit distributions or interest		302,051,763	531,697,065
	Payment for other financing activities	V.50(3)	15,904,567	62,966,747
	Sub-total of cash outflows		1,354,745,101	1,693,437,449
	Net cash flows from financing activities		(499,546,315)	(705,769,070)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		(518,371)	(1,743,498)
V.	Net increase/(decrease) in cash and cash equivalents	V.51(1)	449,661,924	(344,734,365)
	Add: Cash and cash equivalents at the beginning of the year		1,052,665,105	1,397,399,470
VI.	Cash and cash equivalents at the end of the year	V.51(3)	1,502,327,029	1,052,665,105

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Note	2021	2020
I.	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		514,762,698	365,804,968
	Proceeds from other operating activities		47,112,100	19,507,538
	Sub-total of cash inflows		561,874,798	385,312,506
	Payment for goods and services		313,397,323	261,854,964
	Payment to and for employees		76,053,780	65,247,752
	Payment of various taxes		39,248,076	6,778,231
	Payment for other operating activities		71,110,685	139,442,785
	Sub-total of cash outflows		499,809,864	473,323,732
	Net cash flows from operating activities		62,064,934	(88,011,226)
II.	Cash flows from investing activities:			
	Proceeds from disposal of investments		38,200,000	58,238,750
	Investment returns received		1,068,448,220	450,538,570
	Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		408,885	131,260
	Proceeds from borrowings to subsidiaries		162,200,000	9,000,000
	Sub-total of cash inflows		1,269,257,105	517,908,580
	Payment for acquisition of fixed assets, intangible assets and other long-term assets		22,919,289	51,762,211
	Payment for acquisition of investments		38,200,000	131,408,115
	Net cash paid for the acquisition of subsidiaries and other business units		-	89,519,789
	Cash paid to subsidiaries		655,000,000	112,000,000
	Sub-total of cash outflows		716,119,289	384,690,115
	Net cash flows from investing activities		553,137,816	133,218,465

The notes on pages 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		Note	*2021*	*2020*
III.	Cash flows from financing activities:			
	Proceeds from borrowings		150,000,000	150,000,000
	Sub-total of cash inflows		150,000,000	150,000,000
	Repayments of borrowings		150,000,000	150,000,000
	Payment for dividends or interest		280,055,692	486,200,712
	Payment for other financing activities		3,460,687	-
	Sub-total of cash outflows		433,516,379	636,200,712
	Net cash flows from financing activities		(283,516,379)	(486,200,712)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V.	Net increase/(decrease) in cash and cash equivalents		331,686,371	(440,993,473)
	Add: Cash and cash equivalents at the beginning of the year		182,123,069	623,116,542
VI.	Cash and cash equivalents at the end of the year		513,809,440	182,123,069

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 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 2021
(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	524,968,760	576,129	342,732,000	8,714,091,755	10,267,832,644	236,597,990	10,504,430,634
Add: Changes in accounting policies		-	-	-	-	(10,582,161)	(10,582,161)	-	(10,582,161)
Adjusted balance at the beginning of the year		685,464,000	524,968,760	576,129	342,732,000	8,703,509,594	10,257,250,483	236,597,990	10,493,848,473
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	(35,283,306)	-	500,102,606	464,819,300	2,551,124	467,370,424
(2) Shareholders' contributions									
Establishment of subsidiaries		-	-	-	-	-	-	7,840,000	7,840,000
(3) Appropriation of profits	V.36								
Distributions to shareholders		-	-	-	-	(274,185,600)	(274,185,600)	(2,196,693)	(276,382,293)
III. Balance at the end of the year		685,464,000	524,968,760	(34,707,177)	342,732,000	8,929,426,600	10,447,884,183	244,792,421	10,692,676,604

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 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 2020
(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	642,775,360	(4,235,583)	342,732,000	8,735,513,044	10,402,248,821	271,876,064	10,674,124,885
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	4,811,712	-	470,860,587	475,672,299	2,561,399	478,233,698
(2) Shareholders' contributions									
Acquisitions of non-controlling interests		-	(28,286,811)	-	-	-	(28,286,811)	(34,679,936)	(62,966,747)
(3) Appropriation of profits	V.36								
Distributions to shareholders		-	-	-	-	(492,281,876)	(492,281,876)	(3,159,537)	(495,441,413)
(4) Business combination under common control		-	(89,519,789)	-	-	-	(89,519,789)	-	(89,519,789)
III. Balance at the end of the year		685,464,000	524,968,760	576,129	342,732,000	8,714,091,755	10,267,832,644	236,597,990	10,504,430,634

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 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 2021
(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	560,182,235	342,732,000	8,567,313,551	10,155,691,786
Add: Changes in accounting policies	III.33				(6,620,268)	(6,620,268)
Adjusted balance at the beginning of the year		685,464,000	560,182,235	342,732,000	8,560,693,283	10,149,071,518
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	855,053,982	855,053,982
(2) Appropriation of profits						
Distributions to shareholders		-	-	-	(274,185,600)	(274,185,600)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	9,141,561,665	10,729,939,900

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 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 2020 (continued)
(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	8,619,977,577	10,205,396,031
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	427,160,774	427,160,774
(2) Shareholders' contributions						
Purchase of share equity of Yantai Changyu Culture Development Co., Ltd ("Culture Development")		-	2,959,781	-	-	2,959,781
(3) Appropriation of profits						
Distributions to shareholders		-	-	-	(479,824,800)	(479,824,800)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	8,567,313,551	10,155,691,786

These financial statements were approved by the Board of Directors of the Company on 25 April 2022.

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 105 to 196 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Notes to the financial statements
(Expressed in Renminbi Yuan unless otherwise indicated)

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 2021 the total shares issued by the Company amounts to 685,464,000 shares. Please refer to Note V. 32 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 25 April 2022. 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 VI "Equity in other entities" in detail.

II. Basis of preparation

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

The Group has adopted the revised "Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement" and related new financial instruments standards and "Accounting Standard for Business Enterprises No. 14 – Revenue", issued by the Ministry of Finance ("MOF") of the People's Republic of China in 2017, since 1 January 2019 and 1 January 2020 respectively. In addition, it has adopted the revised "Accounting Standard for Business Enterprises No. 21 – Leases" issued by the MOF in 2018 since 1 January 2021 (see Note III.33(1)).

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 2021, 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

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(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. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with 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, reclassified, 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 are 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. 28). 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) Investment in joint ventures and associates

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.

Associated enterprises refer to enterprises to which the Group can exercise significant influence (see Note III.11(3)).

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.28).

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.28). 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.28).

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 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.28).

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 years

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

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
- right-of-use assets
- 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 when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

For the sale of a product with a right of return, the Group recognises revenue when the Group obtains control of that product, in the amount of consideration to which the Group expects to be entitled in exchange for the product transferred (i.e. excluding the amount of which expected to be returned), and recognises a refund liability for the products expected to be returned. Meanwhile, an asset is recognised in the amount of carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products), and carry forward to cost in the amount of carrying amount of the transferred products less the above costs. At the end of each reporting period, the Group updates its assessment of future sales return. If there is any change, it is accounted for as a change in accounting estimate.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

The Group's sales revenue is mainly derived from dealer sales. Revenue is recognised when the Group transfers control of the related products to the customer. Based on the business contract, the Group recognised the sales revenue of these transfers when the product is confirmed and signed for acceptance by the customers.

23 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

24 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.

25 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.

26 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.

27 Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly speicied in a contrat and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the ecomonic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease componets, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.22.

(1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.20.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.9. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

28 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.26) 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.

29 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.

30 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.

31 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 five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2021, over 87% of revenue, more than 94% 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.

32 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. 13 and 16) and provision for impairment of various types of assets (see Notes V.3, 7, 11, 15 and 16). Other significant accounting estimates are as follows:

(i) Note V. 18 - Recognition of deferred tax asset;
(ii) Note VIII. - Fair value measurements of financial instruments.

33 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2021, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF:

- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) (“the new leases standard”)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10) and Notice of Extending the Applicable Period of ‘Accounting Treatment of COVID-19 Related Rent Concessions’ (Caikuai [2021] No.9)
- CAS Bulletin No.14 (Caikuai [2021] No.1) (“Bulletin No. 14”)

(a) New leases standard

New leases standard has revised CAS No.21 - Leases issued by the MOF in 2006 (“previous leases standard”). The Group has applied new leases standard since 1 January 2021 and has adjusted the related accounting policies.

New leases standard refines the definition of a lease. The Group assesses whether a contract is or contains a lease in accordance with the definition in new leases standard. For contracts which existed before the date of initial application, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application.

- As a lessee

Under previous leases standard, the Group classifies leases as operating or finance leases based on its assessment of whether the lease transfers significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

Under new leases standard, the Group no longer distinguishes between operating leases and finance leases. The Group recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using the practical expedient).

For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statements in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. Right-of-use assets are measured at either:

- their carrying amount as if new leases standard had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or

The Group uses the following practical expedients to account for leases classified as operating leases before the date of initial application:

- accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
- applied a single discount rate to leases with similar characteristics when measuring lease liabilities;
- excluded initial direct costs from measuring the right-of-use assets;
- determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;
- As an alternative to the impairment test of the right-of-use assets, the right-of-use assets shall be adjusted according to the amount of loss provision from onerous contracts included in the balance sheet in accordance with Accounting Standards for Business Enterprises No. 13 - Contingencies before the date of initial application;
- No retrospective adjustment shall be made to the lease changes that occurred before the beginning of the year when the new leases standard is initially applied, and instead, the new leases standard shall be applicable for the accounting treatment based on the final arrangement of the lease changes.

For leases classified as finance leases before the date of initial application, the right-of-use asset and the lease liability are measured at the original carrying amount of the assets under finance lease and obligations under finance leases at the date of initial application.

- As a lessor

The Group is not required to make any adjustments to the opening balances of retained earnings and other related items in the financial statements in the initial year of application and surplus for leases for which it acts as a lessor. The Group has applied new leases standard since the date of initial application.

- Effect of the application of new leases standard since 1 January 2021 on financial statements

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2021. The weighted-average rate applied by the Group and the Company is 4.65%.

The impact of the adoption of the new leases standard on the consolidated and company balance sheets as at 1 January 2021 are summarised as follows:

	The Group		
	31 December 2020	*1 January 2021*	*The amounts of adjustments*
Assets			
Non-current assets:			
Right-of-use assets	-	130,293,427	130,293,427
Long-term deferred expenses	314,465,855	273,547,599	(40,918,256)
Deferred tax assets	206,241,275	207,199,400	958,125
Total non-current assets	520,707,130	611,040,426	90,333,296
Total assets	520,707,130	611,040,426	90,333,296

	The Group		
	31 December 2020	*1 January 2021*	*The amounts of adjustments*
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	484,347,958	479,305,382	(5,042,576)
Non-current liabilities due within one year	133,311,890	140,629,742	7,317,852
Total current liabilities	617,659,848	619,935,124	2,275,276
Non-current liabilities:			
Lease liabilities	-	98,401,900	98,401,900
Deferred tax liabilities	12,022,613	12,260,894	238,281
Total non-current liabilities	12,022,613	110,662,794	98,640,181
Total liabilities	629,682,461	730,597,918	100,915,457
Shareholders' equity:			
Retained earnings	8,714,091,755	8,703,509,594	(10,582,161)
Total equity attributable to shareholders of the Company	8,714,091,755	8,703,509,594	(10,582,161)
Total owners' equity	8,714,091,755	8,703,509,594	(10,582,161)
Total liabilities and shareholders' equity	9,343,774,216	9,434,107,512	90,333,296

	The Company		
	31 December 2020	*1 January 2021*	*The amounts of adjustments*
Assets			
Non-current assets:			
Right-of-use assets	-	39,589,486	39,589,486
Total non-current assets	-	39,589,486	39,589,486
Total assets	-	39,589,486	39,589,486
Liabilities and shareholders' equity			
Current liabilities:			
Non-current liabilities due within one year	-	2,048,380	2,048,380
Total current liabilities	-	2,048,380	2,048,380
Non-current liabilities:			
Lease liabilities	-	44,072,819	44,072,819
Deferred tax liabilities	-	88,555	88,555
Total non-current liabilities	-	44,161,374	44,161,374
Total liabilities	-	46,209,754	46,209,754
Shareholders' equity:			
Retained earnings	8,567,313,551	8,560,693,283	(6,620,268)
Total equity attributable to shareholders of the Company	8,567,313,551	8,560,693,283	(6,620,268)
Total owners' equity	8,567,313,551	8,560,693,283	(6,620,268)
Total liabilities and shareholders' equity	8,567,313,551	8,606,903,037	39,589,486

(b) Caikuai [2020] No.10 and Caikuai [2021] No.9

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic. If the company chooses to adopt the practical expedient, then there is no need to assess whether there is a lease change or reassess the lease classification. In combination of the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022. Cumulative effects of adopting the above regulations are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

(c) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

(i) "Public-private partnership" (PPP) arrangements

Bulletin No.14 and the Q&A and practical examples for accounting treatment of PPP project contract social capital clarifies the features and conditions of PPP arrangements, sets out the accounting and disclosure requirements of a private entity in PPP arrangements. Item 5 of CAS Bulletin No.2 (Caikuai [2008] No.11) on "How to account for entities participating in public infrastructure construction businesses under build-operate-transfer arrangement" is repealed accordingly.

PPP arrangements which are commenced before 31 December 2020 and not completed on the implementation date and new PPP arrangements occurred during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings and other relevant line items in the financial statements for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(ii) Benchmark interest rate reform

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

IV. Taxation

1 Main types of taxes and corresponding tax rates

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), 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), 26.5% (France, 2021), 28% (France, 2020), 28% (Spain), 27% (Chile), 30% (Australia)

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2021 and 2020 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.

Yantai Changyu Wine Research & Development Centre Co., Ltd. (“R&D Centre”), a branch of the Company, is an enterprise engaged in grape growing in the Economic and Technological Development Zone of Yantai City, Shandong Province. Pursuant to Article 27 of the *Enterprise Income Tax Law of the People’s Republic of China* and Article 86 of the *Implementation Regulations of the Enterprise Income Tax Law of the People’s Republic of China*, R&D Centre enjoys the preferential policy of exemption of enterprise income tax on income from grape growing.

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 relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Ningxia Chateau Changyu Moser is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

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 relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Ningxia Chateau Changyu Moser is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

Ningxia Chateau Changyu Moser XV Co., Ltd. (“Chateau Ningxia”), a subsidiary of the Company, is an enterprise engaged in wine production and sales, incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Ningxia Chateau Changyu Moser is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

Changyu (Ningxia) Wine Co., Ltd. (“Ningxia Wine”), a subsidiary of the Company, is an enterprise engaged in wine production and sales, incorporated in Shihezi City, Xinjiang Uygur Autonomous Region. In accordance with relevant provisions of the Announcement on Continuation of CIT Policies for Large-scale Development in the Western Region (Announcement [2020] No.23 of the Ministry of Finance), Changyu (Ningxia) Wine is entitled to preferential tax policies. Therefore, during the period from 1 January 2021 to 31 December 2030, its corporate income tax shall be levied at a reduced tax rate of 15%.

Pursuant to the Announcement on Tax Policies to Support Prevention and Control of Covid-19 Pandemic (Announcement [2020] No.8 of the Ministry of Finance and the State Administration of Taxation), from 1 January 2020, income derived by taxpayers from provision of public transportation services and living services, as well as express delivery services involving residents' necessities, shall be exempted from VAT. Furthermore, according to the Announcement on Continued Implementation of Some Preferential Tax/Fee Policies for Responding to the COVID-19 Pandemic (Announcement [2021] No. 7 of the Ministry of Finance and the State Administration of Taxation), the above tax preferential tax policy is extended to 31 March 2021. The Company has certain subsidiaries, such as Yantai Zhangyu Wine Culture Museum Co., Ltd. ("the Museum"), which provides catering, accommodation, tourism and other living services, so, the income obtained from the provision of such living services shall be exempted from VAT, from 1 January 2020 to 31 March 2021.

Xinjiang Changyu Sales Co., Ltd. Vermouth Tasting Centre Branch (“Xinjiang Vermouth Tasting Centre”), a subsidiary of the Company, is an enterprise engaged in large-scale restaurant services, located in Shihezi City, Xinjiang Uygur Autonomous Region. According to the Announcement on Value-added Tax Policies for Supporting Individual Businesses in Resumption of Business (Announcement [2020] No.13 of the Ministry of Finance and the State Taxation Administration) and the Announcement on Continued Implementation of Some Preferential Tax/Fee Policies for Responding to the COVID-19 Pandemic (Announcement [2021] No. 7 of the Ministry of Finance State Taxation Administration), Xinjiang Vermouth Tasting Centre, qualified as a small-scale VAT taxpayer, is entitled to pay VAT at the reduced levy rate of 1% for the year ended 31 December 2021.

Based on the *Notice of the Department of Finance of Shaanxi Province and the Shaanxi Provincial Taxation Bureau under the State Taxation Administration on Matters Concerning the Relief and Exemption of Urban Land Use Tax and Real Estate Tax in Fighting the Epidemic (Shaan Cai Shui [2020] No.4)*, the Department of Finance and the Taxation Bureau shall approve the application for tax relief and exemption submitted by taxpayers who have difficulties to pay urban land use tax and real estate tax owing to the suspension of production and business for more than 30 days (inclusive) arising from the epidemic. Shaanxi Chateau Changyu Rena Co., Ltd. and Changyu (Jingyang) Wine Co., Ltd., two subsidiaries of the Company, meet the application requirements and will be exempted from real estate tax and urban land use tax in the first quarter of 2020.

Pursuant to the *Notice of the Taxation Bureau in Ningxia Hui Autonomous Region under the State Taxation Administration and the Department of Finance in Ningxia Hui Autonomous Region on Implementing the Policies of Real Estate Tax and Urban Land Use Tax by the People's Government in Autonomous Region in response to the impact from Covid-19 Epidemic (Ning Shui Han [2020] No.19)*, the Taxation Bureau shall approve the application for tax relief submitted by enterprises that have difficulties to pay real estate tax and urban land use tax owing to the epidemic. Shaanxi Chateau Changyu Rena Co., Ltd. and Changyu (Ningxia) Wine Co., Ltd., two subsidiaries of the Company, meet the application requirements and will be exempted from real estate tax and urban land use tax for five months in 2020.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	*2021*	*2020*
Cash on hand	71,486	19,637
Bank deposits	1,558,134,072	1,128,882,937
Other monetary funds	8,890,435	65,312,355
Total	1,567,095,993	1,194,214,929
Including: Total overseas deposits	28,691,521	47,674,019

As at 31 December 2021, the balance of restricted cash of the Group is as follows:

Item	*2021*	*2020*
House maintenance funds	2,678,529	2,684,407

As at 31 December 2021, the Group's term deposits with previous maturity of more than three months is RMB53,200,000 with interest rate 1.75% - 2.25% (31 December 2020: RMB73,553,062).

As at 31 December 2021, the Group's other monetary assets is as follows:

Item	*2021*	*2020*
Yantai Changyu Pioneer Wine Company Limited Research and Development Co., Ltd. ("R&D Centre") pledged deposit for long-term payables	-	20,000,000
Deposits for letters of credit	7,900,850	44,540,850
Alipay account balance	859,558	761,505
Deposit for ICBC platform	10,000	10,000
Deposits for the customs	120,027	-
Total	8,890,435	65,312,355

As at 31 December 2021, the Group did not have any special interest arrangements such as the establishment of joint fund management accounts with related parties.

2 Bills receivable

Classification of bills receivable

Item	*2021*	*2020*
Bank acceptance bills	42,827,666	-
Total	42,827,666	-

All of the above bills are due within one year.

3 Accounts receivable

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

Type	*31 December 2021*	*31 December 2020*
Amounts due from related parties	287,788	2,268,311
Amounts due from other customers	310,982,372	193,911,657
Sub-total	311,270,160	196,179,968
Less: Provision for bad and doubtful debts	(20,263,750)	(12,326,606)
Total	291,006,410	183,853,362

As at 31 December 2021, ownership restricted accounts receivable is RMB49,061,015 (31 December 2020: RMB28,557,991), referring to Note V. 52.

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

Ageing	*2021*	*2020*
Within 1 year (inclusive)	302,602,474	190,047,491
Over 1 year but within 2 years (inclusive)	6,450,290	5,581,750
Over 2 years but within 3 years (inclusive)	1,830,913	366,053
Over 3 years	386,483	184,674
Sub-total	311,270,160	196,179,968
Less: Provision for bad and doubtful debts	(20,263,750)	(12,326,606)
Total	291,006,410	183,853,362

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

(3) Accounts receivable by provisioning method

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.

2021

	Loss given default	*Carrying amount at the end of the year*	*Impairment loss at the end of the year*
Current	0.4%	266,055,047	951,403
Overdue for 1 to 30 days	3.3%	13,013,133	434,869
Overdue for 31 to 60 days	10.9%	8,115,584	886,023
Overdue for 61 to 90 days	23.9%	2,554,438	610,844
Overdue for 91 to 120 days	28.9%	531,696	153,780
Overdue for 121 to 150 days	40.0%	627,641	251,314
Overdue for 151 to 180 days	41.8%	1,670,068	698,131
Overdue for 181 to 210 days	50.0%	1,129,949	565,460
Overdue for 211 to 240 days	65.6%	1,415,345	928,263
Overdue for 241 to 270 days	65.7%	3,439,721	2,261,159
Overdue for 271 to 300 days	85.4%	1,340,055	1,145,021
Overdue for 301 to 330 days	100.0%	638,848	638,848
Overdue for 331 to 360 days	100.0%	244,178	244,178
Overdue for 360 days	100.0%	10,494,457	10,494,457
Total	6.5%	311,270,160	20,263,750

2020

	Loss given default	*Carrying amount at the end of the year*	*Impairment loss at the end of the year*
Current	0.4%	146,425,314	650,298
Overdue for 1 to 30 days	3.4%	14,631,174	495,839
Overdue for 31 to 60 days	6.4%	6,678,504	424,266
Overdue for 61 to 90 days	10.3%	5,582,357	574,675
Overdue for 91 to 120 days	12.9%	2,054,400	265,530
Overdue for 121 to 150 days	15.6%	2,769,171	431,319
Overdue for 151 to 180 days	21.7%	3,970,361	859,903
Overdue for 181 to 210 days	30.3%	1,417,385	429,287
Overdue for 211 to 240 days	32.0%	5,413,890	1,731,246
Overdue for 241 to 270 days	35.7%	993,299	354,988
Overdue for 271 to 300 days	54.6%	111,636	60,963
Overdue for 301 to 330 days	88.7%	748,270	664,085
Overdue for 331 to 360 days	100.0%	323,563	323,563
Overdue for 360 days	100.0%	5,060,644	5,060,644
Total	6.3%	196,179,968	12,326,606

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.

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

	2021	*2020*
Balance at the beginning of the year after adjustment	(12,326,606)	(16,674,915)
Charge for the year	(17,855,222)	(11,591,483)
Recoveries or reversals during the year	9,918,078	15,939,792
Balance at the end of the year	(20,263,750)	(12,326,606)

(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*
Debtor One	Third party	101,943,773	Within 1 year	32.8%	364,547
Debtor Two	Third party	8,935,591	Within 1 year	2.9%	162,166
Debtor Three	Third party	8,589,195	Within 1 year	2.8%	2,381,463
Debtor Four	Third party	7,028,678	Within 1 year	2.3%	148,535
Debtor Five	Third party	6,161,123	Over 1 year but within 2 years	2.0%	6,082,785
Total		132,658,360		42.8%	9,139,496

4 Receivables under financing

Item	*Note*	*2021*	*2020*
Bills receivable	(1)	364,457,497	338,090,187

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

As at 31 December 2021, there was no pledged bills receivable (31 December 2020: Nil).

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

Item	*Amount derecognised at year end*
Bank acceptance bills	449,373,119
Total	449,373,119

As at 31 December 2021, derecognised bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB449,373,119 (31 December 2020: RMB260,721,441). 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	*2021*	*2020*
Prepayments	75,235,879	71,296,416
Total	75,235,879	71,296,416

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

Ageing	*2021*		*2020*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year (inclusive)	75,207,094	99.9%	70,977,636	99.6%
Over 1 year but within 2 years (inclusive)	28,785	0.1%	318,780	0.4%
Total	75,235,879	100.0%	71,296,416	100.0%

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*
Debtor One	Prepayments	27,057,504	Within 1 year	36.0%	-
Debtor Two	Prepayments	23,934,593	Within 1 year	31.8%	-
Debtor Three	Prepayments	5,813,616	Within 1 year	7.7%	-
Debtor Four	Prepayments	2,311,027	Within 1 year	3.1%	-
Debtor Five	Prepayments	1,743,620	Within 1 year	2.3%	-
Total		60,860,360		80.9%	-

6 Other receivables

	31 December 2021	*31 December 2020*
Others	30,125,270	22,428,956
Total	30,125,270	22,428,956

(1) Interest receivable

(a) Others by customer type:

Customer type	*31 December 2021*	*31 December 2020*
Amounts due from related parties	341,880	522,936
Amounts due from other companies	29,783,390	21,906,020
Sub-total	30,125,270	22,428,956
Less: Provision for bad and doubtful debts	-	-
Total	30,125,270	22,428,956

(b) The ageing analysis is as follows:

Ageing	*2021*	*2020*
Within 1 year (inclusive)	27,191,986	10,738,225
Over 1 year but within 2 years (inclusive)	70,480	3,927,625
Over 2 years but within 3 years (inclusive)	190,857	787,908
Over 3 years	2,671,947	6,975,198
Sub-total	30,125,270	22,428,956
Less: Provision for bad and doubtful debts	-	-
Total	30,125,270	22,428,956

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 2021, no bad and doubtful debt provision was made for other receivables (31 December 2020: Nil).

As at 31 December 2021, the Group has no other receivables written off (31 December 2020: Nil).

(d) Others categorised by nature

Nature of other receivables	*2021*	*2020*
Deposit	4,568,157	10,287,959
Refund of consumption tax and VAT	7,204,557	8,254,195
Petty cash receivable	252,481	124,878
Land purchases and reserves receivable	11,550,000	
Others	6,550,075	3,761,924
Sub-total	30,125,270	22,428,956
Less: Provision for bad and doubtful debts	-	-
Total	30,125,270	22,428,956

(e) 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*
Debtor One	Land purchases and reserves receivable	11,550,000	Within 1 year	38.3%	-
Debtor Two	Refund of VAT	5,995,042	Within 1 year	19.9%	-
Debtor Three	Refund of VAT	1,209,515	Within 1 year	4.0%	-
Debtor Four	Deposits	675,000	Over 1 year but within 2 years	2.2%	-
Debtor Five	Insurance	602,705	Within 1 year	2.0%	-
Total		20,032,262		66.4%	-

7 Inventories

(1) Inventories by category:

Item	*2021*			*2020*		
	Book value	*Provision for impairment of inventories*	*Carrying amount*	*Book value*	*Provision for impairment of inventories*	*Carrying amount*
Raw materials	245,114,403	-	245,114,403	70,165,666	-	70,165,666
Work in progress	1,937,081,109	-	1,937,081,109	2,236,815,423	-	2,236,815,423
Finished goods	634,212,222	(13,785,214)	620,427,008	653,042,196	(14,474,634)	638,567,562
Total	2,816,407,734	(13,785,214)	2,802,622,520	2,960,023,285	(14,474,634)	2,945,548,651

(2) Provision for impairment of inventories:

Item	*Opening balance*	*Increase during the year*	*Decrease during the year*	*Closing balance*
		Recognised	*Reversal*	
Finished goods	14,474,634	13,785,214	(14,474,634)	13,785,214

8 Other current assets

Item	*2021*	*2020*
Prepaid income taxes	16,697,663	16,087,815
Input tax to be credited	198,516,812	215,812,506
Deferred expenses	1,938,126	2,218,394
Total	217,152,601	234,118,715

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	*2021*	*2020*
Investments in joint ventures	39,652,834	42,019,654
Investments in associates	6,843,676	6,243,853
Sub-total	46,496,510	48,263,507
Less: Provision for impairment	-	-
Total	46,496,510	48,263,507

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

Investee	*2021 Balance at the beginning of the year*	*Movements during the year*		*2021 Closing balance*	*Shareholding percentage*
		Increase in capital	*Losses from investments under equity-method*		
Joint ventures					
SAS L&M Holdings ("L&M Holdings")	42,019,654	-	(2,366,820)	39,652,834	55%
Associates					
WEMISS (Shanghai) Enterprise Development Co., Ltd ("WEMISS Shanghai")	2,743,890	-	(377,079)	2,366,811	30%
Yantai Santai Real Estate Development Co., Ltd	3,499,963	-	19,693	3,519,656	35%
Chengdu Yufeng Brand Management Co., Ltd. (Note)		518,000	(36,528)	481,472	10%
Yantai Guolong Wine Industry Co., Ltd. (Note)		500,000	(24,263)	475,737	10%
Sub-total	6,243,853	1,018,000	(418,177)	6,843,676	
Total	48,263,507	1,018,000	(2,784,997)	46,496,510	

Note: The Group has appointed one director to each of these investees.

10 Investment properties

	Buildings and plants
Cost	
Balance as at 31 December 2020 and 31 December 2021	70,954,045
Accumulated depreciation	
31 December 2020	(43,896,315)
Charge for the year	(2,555,472)
31 December 2021	(46,451,787)
Carrying amount	
31 December 2021	24,502,258
31 December 2020	27,057,730

11 Fixed assets

(1) Fixed assets

Item	*Plant & buildings*	*Machinery & equipment*	*Motor vehicles*	*Total*
Cost				
31 December 2020	5,136,758,695	2,787,309,487	27,566,592	7,951,634,774
Additions during the year				
- Purchases	42,575,416	73,522,777	1,308,231	117,406,424
- Transfers from construction in progress	115,583,725	6,463,487	-	122,047,212
Decrease during the year	-	-	-	-
Disposals or written-offs during the year	-	(46,386,188)	(1,692,947)	(48,079,135)
31 December 2021	5,294,917,836	2,820,909,563	27,181,876	8,143,009,275
Accumulated depreciation				
31 December 2020	(892,581,856)	(1,294,646,448)	(21,992,597)	(2,209,220,901)
Charge for the year	(125,310,315)	(141,287,142)	(2,001,135)	(268,598,592)
Disposals or written-offs during the year	-	38,769,695	1,385,864	40,155,559
31 December 2021	(1,017,892,171)	(1,397,163,895)	(22,607,868)	(2,437,663,934)
Provision for impairment				
31 December 2020	-	(17,478,027)	-	(17,478,027)
Charge for the year	-	-	-	-
31 December 2021	-	(17,478,027)	-	(17,478,027)
Carrying amount				
31 December 2021	4,277,025,665	1,406,267,641	4,574,008	5,687,867,314
31 December 2020	4,244,176,839	1,475,185,012	5,573,995	5,724,935,846

As at 31 December 2021, ownership restricted net value of fixed assets is RMB313,012,605 (31 December 2020: RMB333,748,819), referring to Note V. 52.

(2) Fixed assets leased out under operating leases

Item	*Cost*	*Accumulated depreciation*	*Provision for impairment*	*Carrying amount*
Buildings	47,821,026	(17,759,826)	-	30,061,200
Machinery equipment	73,592,531	(55,620,641)	(17,478,027)	493,863
Motor vehicles	3,344,518	(3,185,307)	-	159,211
Total	124,758,075	(76,565,774)	(17,478,027)	30,714,274

(3) Fixed assets leased out under operating leases

Item	*Carrying amount at the end of the year*
Machinery equipment	8,627

(4) Fixed assets pending certificates of ownership

Item	*Carrying amount*	*Reason why the certificates are pending*
Dormitories, main building and reception building of Changan Chateau	276,574,493	Processing
European town, main building and service building of Chateau Beijing	170,296,377	Processing
Fermentation shop and warehouse of Xinjiang Tianzhu	15,835,763	Processing
Office and packaging shop of Golden Icewine Valley	9,073,335	Processing
Fermentation shop of Zhangyu (Jingyang)	5,101,910	Processing
Office, experiment building and workshop of Fermentation Centre	3,147,779	Processing
Finished goods warehouse and workshop of Kylin Packaging	2,124,816	Processing
Others	284,591	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	*2021*			*2020*		
	Book value	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
R&D Centre ("Changyu Wine Complex") Project	577,328,351	-	577,328,351	589,010,299	-	589,010,299
Ningxia Chateau Construction Project	2,835,598	-	2,835,598	420,440	-	420,440
Sales Company Construction Project	-	-	-	738,462	-	738,462
Changan Chateau Construction Project	1,245,742	-	1,245,742	7,626,393	-	7,626,393
Shihezi Chateau Construction Project	1,028,512	-	1,028,512	5,000	-	5,000
Other Companies' Construction Project	7,733,896	-	7,733,896	37,694,558	-	37,694,558
Total	590,172,099	-	590,172,099	635,495,152	-	635,495,152

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

Item	*Budget (RMB million)*	*Opening balance*	*Additions during the year*	*Transfers to fixed assets*	*Other transfers out*	*Closing balance*	*Percentage of actual cost to budget (%)*	*Accumulated capitalised interest*	*Attributable to: Interest capitalised for the year*	*Interest rate for capitalisation in 2020 (%)*	*Sources of funding*
Changyu Wine Complex	4,506	589,010,299	102,663,881	(114,345,829)	-	577,328,351	82.2%	17,155,308	945,185	1.2%and4.3%	Loans from financial institutions and self-raised
Ningxia Chateau Construction Project	428	420,440	2,415,158	-	-	2,835,598	100.0%				Self-raised
Changan Chateau Construction Project	698	7,626,393	6,419,524	(3,197,455)	(9,602,720)	1,245,742	100.0%				Self-raised
Shihezi Chateau Construction Project	780	5,000	2,662,193	(1,638,681)	-	1,028,512	96.7%				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 2020	7,607,557	248,758,101	256,365,658
Additions during the year			
- Increase in cultivated	17,215,775	-	17,215,775
- Transferred to mature	(6,913,350)	6,913,350	-
Decrease during the year	-	(3,317,500)	(3,317,500)
31 December 2021	17,909,982	252,353,951	270,263,933
Accumulated amortisation			
31 December 2020	-	(64,192,122)	(64,192,122)
Charge for the year	-	(13,721,424)	(13,721,424)
Decrease during the year	-	1,362,555	1,362,555
31 December 2021	-	(76,550,991)	(76,550,991)
Carrying amount			
31 December 2021	17,909,982	175,802,960	193,712,942
31 December 2020	7,607,557	184,565,979	192,173,536

As at 31 December 2021, there is no biological asset with ownership restricted (31 December 2020: Nil).

As at 31 December 2021, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 20120: Nil).

14 Leases

(1) As a lessee

Right-of-use assets

Item	*Plant&buildings*	*Lands*	*Others*	*Total*
Cost				
Balance at the beginning of the year	42,159,688	132,140,502	1,697,986	175,998,176
Additions during the year	15,209,132	5,839,907	-	21,049,039
Balance at the end of the year	57,368,820	137,980,409	1,697,986	197,047,215
Accumulated depreciation				
Balance at the beginning of the year	(7,201,147)	(38,164,005)	(339,597)	(45,704,749)
Charge for the year	(10,697,382)	(5,736,448)	(339,597)	(16,773,427)
Balance at the end of the year	(17,898,529)	(43,900,453)	(679,194)	(62,478,176)
Carrying amounts				
At the end of the year	39,470,291	94,079,956	1,018,792	134,569,039
At the beginning of the year	34,958,541	93,976,497	1,358,389	130,293,427

Lease liabilities

Item	*Note*	*31 December 2021*	*1 January 2021*
Long-term lease liabilities		116,156,677	105,719,752
Less: lease liabilities due within one year	V,27	14,345,089	7,317,852
Total		101,811,588	98,401,900

(2) As a lessor

Operating lease

Item	*2021*
Lease income	2,015,486

15 Intangible assets

Item	*Land use rights*	*Software licenses*	*Trademarks*	*Total*
Original book value				
31 December 2020	532,069,913	98,975,807	189,269,287	820,315,007
Additions during the year				
- Purchase	1,796,701	1,688,892	222,331	3,707,924
- Transfers from construction in progress	(33,299,900)	-	-	(33,299,900)
31 December 2021	500,566,714	100,664,699	189,491,618	790,723,031
Accumulated amortisation				
31 December 2020	(100,498,469)	(44,325,044)	(14,502,429)	(159,325,942)
Additions during the year				
- Charge for the year	(10,508,435)	(9,200,894)	(205,640)	(19,914,969)
Decrease during the year	6,384,759	-	-	6,384,759
31 December 2021	(104,622,145)	(53,525,938)	(14,708,069)	(172,856,152)
Carrying amount				
31 December 2021	395,944,569	47,138,761	174,783,549	617,866,879
31 December 2020	431,571,444	54,650,763	174,766,858	660,989,065

As at 31 December 2021, the Group has land use right with infinite useful lives of RMB32,640,119 (31 December 2020: RMB30,746,186), 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 2021, the Group has trademark with infinite useful lives of RMB155,355,846 (31 December 2020: RMB154,901,004), 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 11.0% 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 2021, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2021, ownership restricted net value of intangible assets is RMB201,345,477 (31 December 2020: RMB206,920,456), referring to Note V. 52.

16 Goodwill

(1) Changes in goodwill

Name of investee or events from which goodwill arose	*Note*	*31 December 2020*	*Additions during the year*	*Disposals during the year*	*31 December 2021*
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
Chile Indomita Wine Group	(a)	6,870,115	-	-	6,870,115
Australia Kilikanoon Estate	(a)	37,063,130	-	-	37,063,130
Sub-total		149,437,671	-	-	149,437,671
Impairment provision		(16,499,459)	(20,563,671)	-	(37,063,130)
Carrying amount		132,938,212	(20,563,671)	-	112,374,541

(a) The Group acquired Fransac Sales, Dicot and Mirefleurs, Chile Indomita Wine Group and Australia Kilikanoon Estate in December 2013, September 2015, July 2017 and January 2018 respectively, resulting in respective goodwill amounting to RMB13,112,525, RMB92,391,901, RMB 6,870,115 and RMB37,063,130. The goodwill had been allocated to corresponding asset groups for impairment testing.

(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 12.1%, 11.2%, 11.0% and 12.8%, respectively (2020: 12.6%, 11.2%, 11.5% and 12.8%). 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 2021, the provision for impairment of goodwill was RMB37,063,130. The impairment loss amounting to RMB20,563,671 was recognised in asset impairment loss in 2021.

17 Long-term deferred expenses

Item	*31 December 2020*	*Adjustments at the beginning of the period*	*1 January 2021*	*Additions during the year*	*Amortisation for the year*	*Written back during the year*	*31 December 2021*
Land lease prepayment	40,918,256	(40,918,256)	-	-	-	-	-
Land requisition fee	48,601,667	-	48,601,667	-	(1,778,943)	-	46,822,724
Greening fee	138,185,253	-	138,185,253	211,223	(8,748,458)	(1,961,912)	127,686,106
Leasehold improvement	80,446,179	-	80,446,179	32,052,432	(8,218,980)	-	104,279,631
Others	6,314,500	-	6,314,500	-	(509,798)	-	5,804,702
Total	314,465,855	(40,918,256)	273,547,599	32,263,655	(19,256,179)	(1,961,912)	284,593,163

18 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Item	*31 December 2021*		*31 December 2020*	
	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	51,526,991	11,522,575	44,279,268	9,732,098
Unrealised profits of intra-group transactions	481,484,528	120,371,131	313,043,226	78,260,807
Unpaid bonus	150,325,085	37,581,271	147,824,610	36,956,152
Termination benefits	14,132,191	3,533,048	16,274,352	4,068,588
Deductible tax losses	266,833,106	63,160,456	268,074,301	65,844,999
Deferred income	41,295,338	8,642,716	52,653,609	11,378,631
Others	1,598,132	399,534	-	-
Sub-total	1,007,195,371	245,210,731	842,149,366	206,241,275
Deferred tax liabilities:				
Revaluation due to business combinations involving entities not under common control	46,411,478	11,300,970	49,156,771	12,022,613
Others	2,012,000	503,000	-	-
Sub-total	48,423,478	11,803,970	49,156,771	12,022,613

(2) Details of unrecognised deferred tax assets

Item	*2021*	*2020*
Deductible tax losses	234,250,359	187,130,828

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

Year	*2021*	*2020*
2021	-	25,008,263
2022	21,367,869	21,367,869
2023	22,801,737	22,801,737
2024	42,088,453	42,088,453
2025	75,794,409	75,864,506
2026	72,197,891	-
Total	234,250,359	187,130,828

19 Other non-current assets

Item	*2021*	*2020*
Royalty	144,120,442	170,370,147

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 (including tax).

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 2021, the Group's royalty in 2021 was RMB26,249,705 (VAT included). When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB144,120,442.

20 Short-term loans

Short-term loans by category:

Item	*2021*	*2020*
Unsecured loans	478,331,156	619,149,908
Mortgaged loans	118,469,193	55,724,891
Guaranteed loans	25,266,108	14,215,916
Total	622,066,457	689,090,715

As at 31 December 2021, 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-0.005	3.35%
Credit loans (RMB)	300,000,000	1.0000	300,000,000	Floating	Annual benchmark interest rate	3.35%
Credit loans (USD)	4,490,000	6.3098	28,331,156	Fixed	1.48%	1.48%
Mortgaged loans (EUR)	6,795,437	7.2197	49,061,015	Fixed	0.35% - 0.9%	0.35% - 0.9%
Mortgaged loans (USD)	11,000,000	6.3098	69,408,178	Fixed	1.12% - 1.55%	1.12% - 1.55%
Guaranteed loans (AUD)	5,466,488	4.6220	25,266,108	Fixed	2.50%	2.50%
Total			622,066,457			

- As at 31 December 2021, mortgaged loans (EUR) were Hacienda y Viñedos Marques del Atrio, S.L.U (“ Atrio “) factoring of accounts receivable from banks including Banco de Sabadell, S.A. of EUR6,795,437 (equivalent of RMB49,061,015) (31 December 2020: EUR3,558,629, equivalent of RMB28,557,993.

- On 31 December 2021, Chile Indomita Wine Group pledged its fixed assets to Banco Scotiabank to borrow USD11,000,000 (equivalent to RMB69,408,178) (31 December 2020: USD4,000,000, equivalent to RMB26,162,960).

- On 31 December 2021, the secured loan represented the secured loan of Australia Kilikanoon Estate of AUD5,466,488 (equivalent to RMB25,266,108) (31 December 2020: AUD2,833,945, equivalent to RMB14,215,916).

21 Accounts payable

Ageing	*2021*	*2020*
Within 1 year (inclusive)	486,006,974	477,926,275
Over 1 year but within 2 years (inclusive)	4,435,786	2,173,356
Over 2 years but within 3 years (inclusive)	1,405,133	1,277,767
Over 3 years	1,605,923	2,970,560
Total	493,453,816	484,347,958

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

22 Contract liabilities

Item	*As at 31 December 2021*	*As at 1 January 2021*
Receipt in advance	144,013,594	118,210,799
Withholding sales rebates	3,107,122	16,862,481
Total	147,120,716	135,073,280

Contract liabilities primarily relate to the Group's advances from sales contracts of specific customers and the withholding sales rebates. Relevant contract liabilities are recognised as revenue when the control of the goods is transferred to the customer.

23 Employee benefits payable

(1) Employee benefits payable:

	Note	*31 December 2020*	*Additions during the year*	*Decrease during the year*	*31 December 2021*
Short-term employee benefits	(2)	172,176,085	463,134,665	(454,752,853)	180,557,897
Post-employment benefits - defined contribution plans	(3)	329,474	45,027,626	(45,027,747)	329,353
Termination benefits		16,274,352	5,609,349	(7,751,510)	14,132,191
Total		188,779,911	513,771,640	(507,532,110)	195,019,441

(2) Short-term employee benefits

	31 December 2020	*Additions during the year*	*Decrease during the year*	*31 December 2021*
Salaries, bonuses, allowances	170,277,311	414,204,352	(405,639,128)	178,842,535
Staff welfare	1,734,723	17,963,364	(18,057,122)	1,640,965
Social insurance	340,733	15,251,455	(15,288,352)	303,836
Medical insurance	340,733	13,693,635	(13,730,532)	303,836
Work-related injury insurance	-	1,534,970	(1,534,970)	-
Maternity insurance	-	22,850	(22,850)	-
Housing fund	27,497	12,722,935	(12,711,850)	38,582
Labour union fee, staff and workers' education fee	1,874,792	3,033,259	(3,056,401)	1,851,650
Sub-total	174,255,056	463,175,365	(454,752,853)	182,677,568
Less: Non-current liabilities	2,078,971	40,700	-	2,119,671
Total	172,176,085	463,134,665	(454,752,853)	180,557,897

(3) Post-employment benefits - defined contribution plans

	31 December 2020	*Additions during the year*	*Decrease during the year*	*31 December 2021*
Basic pension insurance	329,464	43,803,058	(43,804,402)	328,120
Unemployment insurance	10	1,224,568	(1,223,345)	1,233
Total	329,474	45,027,626	(45,027,747)	329,353

24 Taxes payable

Item	*2021*	*2020*
Value-added tax	54,103,944	25,853,102
Consumption tax	70,563,701	42,076,231
Corporate income tax	194,566,746	130,621,524
Individual income tax	872,252	614,344
Tax on the use of urban land	2,441,121	2,327,666
Education surcharges	5,199,891	2,498,374
Urban maintenance and construction tax	7,128,647	3,429,038
Others	7,445,998	5,992,534
Total	342,322,300	213,412,813

25 Other payables

	Note	*31 December 2021*	*31 December 2020*
Interest payable		323,074	553,471
Dividends payable		68,392	1,003,125
Others	(1)	452,642,025	384,548,930
Total		453,033,491	386,105,526

(1) Others

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

Item	*2021*	*2020*
Deposit payable to dealer	241,414,134	177,129,582
Advertising fee payable	41,264,460	50,444,091
Equipment and construction fee payable	44,345,312	51,381,563
Freight charges payable	29,192,798	26,061,359
Deposits due to suppliers	12,966,789	14,836,302
Contracting fee payable	8,668,872	9,656,066
Staff deposit	5,037,925	359,282
Others	69,751,735	54,680,685
Total	452,642,025	384,548,930

(b) There are no significant others aged over one year accured this year.

26 Other current liabilities

Item	*As at 31 December 2021*	*As at 31 December 2020*
Tax to be transferred out as sales	18,374,193	14,820,653

27 Non-current liabilities due within one year

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

Item	*2021*	*2020*
Long-term loans due within one year	74,520,037	111,311,890
Long-term payables due within one year	22,000,000	22,000,000
Long-term lease liabilities due within one year	14,345,089	-
Total	110,865,126	133,311,890

28 Long-term loans

(1) Long-term loans by category

Item	*2021*	*2020*
Credit loans	193,475,080	220,219,258
Guaranteed loans	57,092,000	91,445,600
Less: Long-term loans due within one year	74,520,037	111,311,890
Total	176,047,043	200,352,968

As at 31 December 2021, 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)	26,798,216	7.2197	193,475,080	Fixed	0.95% - 3.28%	0.95% - 3.28%	68,270,037	125,205,043
Guaranteed loans (RMB)	6,250,000	1.0000	6,250,000	Floating	90% of 5-year LPR	4.275%	6,250,000	-
Guaranteed loans (AUD)	11,000,000	4.6220	50,842,000	Floating	BBSY+1.10%	1.40%	-	50,842,000
Total			250,567,080				74,520,037	176,047,043

As at 31 December 2021, Credit loans (EUR) were EUR26,798,216 borrowed by Banco Sabadell, Bankia, Banco Santander, BBVA, Caja Rural de Navarr etc. (equivalent of RMB193,475,080) (31 December 2020: EUR27,441,652, equivalent of RMB220,219,258). Guaranteed loans (RMB) were long-term borrowings of RMB6,250,000 of the R&D Centre, a subsidiary of the Company (31 December 2020: RMB31,250,000). Australia Kilikanoon Estate has borrowed AUD11,000,000 (equivalent of RMB50,842,000) (31 December 2020: AUD12,000,000, equivalent of RMB60,195,600) from ANZ Bank and it was guaranteed by the Company.

29 Long-term payables

Item	*2021*	*2020*
Agricultural Development Fund of China (“CADF”)	86,000,000	108,000,000
Less: Long-term payables due within one year	22,000,000	22,000,000
Balance of long-term payables	64,000,000	86,000,000

In 2016, RMB305,000,000 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 RMB22,000,000in 2021. Refer to Note V. 52 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	
86,000,000	1.2%	29 February 2016	28 February 2025	22,000,000	64,000,000	Fixed assets and intangible assets

30 Deferred income

Item	31 December 2020	Additions during the year	Decrease during the year	31 December 2021
Government grants	52,653,609	2,452,011	(13,810,282)	41,295,338

Government grants:

Liability	31 December 2020	Additions of government grants during the year	Amounts recognised in other income during the year	31 December 2021	Related to assets/income
Industrial development support project	24,600,000	-	(4,100,000)	20,500,000	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	2,436,600	-	(2,280,000)	156,600	Government grants related to assets
Shandong Peninsula Blue Economic Area construction funds	2,000,000	-	(2,000,000)	-	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	12,798,000	-	(1,422,000)	11,376,000	Government grants related to assets
Special government grant for infrastructure	2,120,000	-	(1,060,000)	1,060,000	Government grants related to assets
Raw wine fermentation project	434,700	-	(434,700)	-	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	2,400,000	-	(400,000)	2,000,000	Government grants related to assets
Engineering technology transformation of information system project	1,740,000	-	(580,000)	1,160,000	Government grants related to assets
Liquor electronic tracking project	1,191,150	-	(667,055)	524,095	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,315,000	-	(162,000)	1,153,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	769,800	-	(128,300)	641,500	Government grants related to assets
Wine industry development project	186,000	-	(186,000)	-	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	238,858	-	(13,270)	225,588	Government grants related to assets
Coal subsidy	-	2,079,711	-	2,079,711	Government grants related to assets
Cross-border e-commerce project	201,801	-	(201,801)	-	Related to income
Subsidy for boiler reconstruction and demolition	70,000	-	(10,000)	60,000	Related to income
Prize from Industrial Design Competition of Yantai Mayor’s Cup	50,000	50,000	(50,000)	50,000	Related to income
Special Funds for Innovation-Driven Development of Yantai City	101,700	322,300	(115,156)	308,844	Related to income
Total	52,653,609	2,452,011	(13,810,282)	41,295,338	

31 Other non-current liabilities

Item	*31 December 2021*	*31 December 2020*
Employee benefits payable	2,119,671	2,078,971

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

32 Share capital

	At 31 December 2020 and 31 December 2021
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

33 Capital reserve

Item	*31 December 2020*	*Additions during the year*	*Decrease during the year*	*31 December 2021*
Share premium	519,052,172	-	-	519,052,172
Others	5,916,588	-	-	5,916,588
Total	524,968,760	-	-	524,968,760

34 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	576,129	(39,307,949)	-	-	(35,283,306)	(4,024,643)	(34,707,177)

35 Surplus reserve

Item	*31 December 2021*	*31 December 2020*
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 2021 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.

36 Retained earnings

Item	*Note*	*2021*	*2020*
Retained earnings at the beginning of the year (before adjustment)		8,714,091,755	8,735,513,044
Impact of retrospective adjustment of accounting standards	(1)	(10,582,161)	-
Retained earnings at the beginning of the year (after adjustment)		8,703,509,594	8,735,513,044
Add: Net profits for the year attributable to shareholders of the Company		500,102,606	470,860,587
Less: Dividends to ordinary shares	(2)	(274,185,600)	(479,824,800)
Distribution of dividends to existing shareholders from Culture Development		-	(12,457,076)
Retained earnings at the end of the year	(3)	8,929,426,600	8,714,091,755

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

As a result of the implementation of the new financial instrument standards by the Group in 2021, the undistributed profit at the beginning of 2021 was reduced by RMB10,582,161.

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

Pursuant to the shareholders' approval at the shareholders' general meeting on 27 May 2021, a cash dividend of RMB0.4 per share (2020: RMB0.7 per share), totalling RMB274,185,600 (2020: RMB479,824,800).

(3) Retained earnings at the end of the year

As at 31 December 2021, the consolidated retained earnings attributable to the Company included an appropriation of RMB58,041,628 (2020: RMB58,021,644) to surplus reserve made by the subsidiaries.

37 Operating income and operating costs

Item	*2021*		*2020*	
	Income	*Cost*	*Income*	*Cost*
Principal activities	3,879,875,396	1,604,954,772	3,325,812,768	1,479,923,326
Other operating activities	73,192,187	42,835,102	69,589,233	23,954,081
Total	3,953,067,583	1,647,789,874	3,395,402,001	1,503,877,407
Including:Revenue from contracts with customers	3,951,052,097	1,646,424,782	3,393,386,515	1,502,467,908
Rent income	2,015,486	1,365,092	2,015,486	1,409,499

(1) Disaggregation of revenue from contracts with customers:

Type of contract	*2021*	*2020*
By type of goods or services		
- Liquor	3,879,875,396	3,325,812,768
- Others	71,176,701	67,573,747
By timing of transferring goods or services		
- Revenue recognised at a point in time	3,951,052,097	3,393,386,515

38 Taxes and surcharges

Item	*2021*	*2020*
Consumption tax	164,791,894	120,563,955
Urban maintenance and construction tax	30,604,422	23,169,608
Education surcharges	22,147,840	16,756,851
Property tax	28,005,705	26,843,414
Tax on the use of urban land	11,654,759	11,332,778
Stamp duty	6,488,829	3,650,250
Others	364,121	1,472,418
Total	264,057,570	203,789,274

39 Selling and distribution expenses

Item	*2021*	*2020*
Salaries and benefits	308,876,899	289,527,114
Marketing fee	251,443,176	200,259,537
Labour service fee	96,864,855	58,723,298
Depreciation expense	48,014,605	41,224,340
Storage rental	28,110,876	35,744,058
Advertising fee	91,168,885	22,724,095
Royalty	24,763,872	21,985,068
Travelling expenses	21,624,100	20,065,075
Design and production fee	30,247,672	15,427,023
Conference fee	20,088,371	15,387,699
Water, electricity and gas fee	14,988,125	13,427,340
Others	62,762,669	53,757,838
Total	998,954,105	788,252,485

40 General and administrative expenses

Item	*2021*	*2020*
Salaries and benefits	73,920,103	73,329,053
Depreciation expenses	79,928,195	72,637,754
Repair costs	16,467,478	23,714,008
Administrative expenses	26,124,859	20,927,794
Amortisation expenses	19,354,205	19,568,760
Amortisation of greening fee	19,186,231	18,187,244
Rental charge	5,735,121	9,969,494
Safety production costs	11,190,158	7,831,443
Security and cleaning fee	7,455,965	7,650,813
Contracting fee	9,192,907	7,603,536
Others	30,521,154	29,226,567
Total	299,076,376	290,646,466

41 Financial expenses

Item	*2021*	*2020*
Interest expenses from loans and payables	24,504,339	35,187,642
Interest expenses from lease liabilities	5,292,452	-
Less: Borrowing costs capitalised	945,185	797,021
Less: Financial expenses offset by fiscal interest subsidy	-	1,500,000
Interest income from deposits and receivables	(19,558,354)	(14,247,274)
Net exchange losses/(gains)	8,296,888	(274,140)
Other financial expenses	3,588,587	2,072,506
Total	21,178,727	20,441,713

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

42 Other income

Item	*2021*	*2020*	*Related to assets/income*
Reward on the fixed asset investment	-	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	7,333,325	7,018,292	Government grants related to assets
Special funds for the development of enterprises	6,815,339	23,068,826	Related to income
Tax refunds	13,747,870	12,324,440	Related to income
Strong industrial city special funds	-	792,600	Related to income
Others - Government grants related to income	14,244,207	21,479,462	Related to income
Total	48,240,741	73,063,620	

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

43 Investment losses

Investment losses by item

Item	*2021*	*2020*
Long-term equity investment losses under equity method	(2,784,997)	(2,217,623)
Total	(2,784,997)	(2,217,623)

44 Credit (losses)/reversal

Item	*2021*	*2020*
Accounts receivable	(7,937,144)	4,348,309
Total	(7,937,144)	4,348,309

45 Impairment losses

Item	*2021*	*2020*
Inventories	689,420	5,705,003
Goodwill	(20,563,671)	(8,920,981)
Total	(19,874,251)	(3,215,978)

46 Loss from asset disposals

Item	*2021*	*2020*
Loss from disposal of fixed assets	11,939,284	1,180,655

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

47 Non-operating income and non-operating expenses

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

Item	*2021*	*2020*
Inventory stocktake surplus	1,019,314	3,823,905
Insurance compensation	1,069,670	3,067,670
Net income from fine	1,068,169	3,098,877
Others	2,057,151	1,918,058
Total	5,214,304	11,908,510

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

(2) Non-operating expenses

Item	*2021*	*2020*
Compensation, penalty and fine expenses	1,761,266	347,635
Donations provided	900,000	1,048,300
Losses from damage or scrapping of non current assets	3,425,709	-
Others	224,869	306,923
Total	6,311,844	1,702,858

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

48 Income tax expenses

Item	*Note*	*2021*	*2020*
Current tax expense for the year based on tax law and regulations		248,208,920	135,163,243
Changes in deferred tax assets/liabilities	(1)	(39,188,099)	56,641,257
Total		209,020,821	191,804,500

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

Item	*2021*	*2020*
Origination of temporary differences	(39,188,099)	56,641,257
Total	(39,188,099)	56,641,257

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

Item	*2021*	*2020*
Profit before taxation	715,699,194	664,866,563
Estimated income tax at 25%	178,924,799	166,216,641
Effect of different tax rates applied by subsidiaries	7,223,819	1,310,363
Effect of non-deductible costs, expense and losses	9,480,180	7,185,074
Effect of deductible losses of deferred tax assets not recognised for the year	12,159,985	16,417,337
Deferred tax assets written-off	1,232,038	675,085
Income tax expenses	209,020,821	191,804,500

49 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:

	2021	*2020*
Consolidated net profit attributable to ordinary shareholders of the Company	500,102,606	470,860,587
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	0.73	0.69

Weighted average number of ordinary shares is calculated as follows:

	2021	*2020*
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.

50 Cash flow statement

(1) Proceeds relating to other operating activities:

Item	*2021*	*2020*
Government grants	36,882,470	56,515,941
Penalty income	1,068,169	3,098,877
Interest income from bank	19,558,354	14,396,201
Others	31,633,258	7,186,229
Total	89,142,251	81,197,248

(2) Payments relating to other operating activities:

Item	*2021*	*2020*
Selling and distribution expenses	430,962,311	399,973,695
General and administrative expenses	128,747,237	127,666,411
Others	2,488,469	24,250,891
Total	562,198,017	551,890,997

(3) Proceeds relating to other financing activities:

Item	*2021*	*2020*
Cash paid for acquisition of minority interests	-	62,966,747
Cash paid for lease	15,904,567	-
Total	15,904,567	62,966,747

51 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

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

Item	*2021*	*2020*
Net profit	506,678,373	473,062,063
Add: Provisions for impairment of assets	19,874,251	3,215,978
Credit losses/(reversal)	7,937,144	(4,348,309)
Depreciation of fixed assets and investment property	271,154,064	298,224,327
Amortisation of intangible assets	19,914,969	20,413,627
Amortisation of long-term deferred expenses	19,256,179	16,578,465
Amortisation of biological assets	13,721,424	13,270,614
Depreciation of ROU assets	16,773,427	-
Losses from disposal of fixed assets, intangible assets, and other long-term assets	15,364,993	1,338,570
Financial expenses	26,782,042	36,134,118
Royalty	24,763,872	21,985,068
Investment losses	2,784,997	2,217,623
(Increase)/Decrease in deferred tax assets	(38,969,456)	59,310,068
Decrease in deferred tax liabilities	(218,643)	(2,668,811)
Decrease/(Increase) in gross inventories	143,615,551	(38,192,093)
Increase in operating receivables	(187,412,623)	(41,443,296)
Increase/(Decrease) in operating payables	263,362,094	(353,951,339)
Net cash flows from operating activities	1,125,382,658	505,146,673

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

Item	*2021*	*2020*
Payment of construction in progress and other long-term assets by bank acceptances	60,224,230	141,440,165

c. Change in cash and cash equivalents:

Item	*2021*	*2020*
Cash equivalents at the end of the year	1,502,327,029	1,052,665,105
Less: Cash equivalents at the beginning of the year	1,052,665,105	1,397,399,470
Net increase/(dercrease) in cash and cash equivalents	449,661,924	(344,734,365)

(2) Information on acquisition or disposal of subsidiaries and other business units during the year:

Information on acquisition of subsidiaries and other business units:

	2021	*2020*
Consideration for acquiring subsidiaries and other business units	-	89,519,789
Cash or cash equivalents paid during the year for acquiring subsidiaries and other business units during the year	-	89,519,789
Including: Culture Development	-	89,519,789
Less: Cash and cash equivalents held by disposed subsidiaries and other business units	-	-
Net cash paid for the acquisition	-	89,519,789

(3) Details of cash and cash equivalents

Item	*2021*	*2020*
Cash at bank and on hand		
Including: Cash on hand	71,486	19,637
Bank deposits available on demand	1,502,255,543	1,052,645,468
Closing balance of cash and cash equivalents	1,502,327,029	1,052,665,105

52 Assets with restrictive ownership title or right of use

Item	*Opening balance*	*Balance at the end of the year*	*Reason for restriction*
Cash at bank and on hand	67,996,762	11,568,964	The Company deposits for letters of credit etc.
Account receivable (i)	28,557,991	49,061,015	Short-term borrowings mortgage from Atrio
Fixed assets	333,748,819	313,012,605	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	206,920,456	201,345,477	R&D Centre mortgage for long-term payables
Total	637,224,028	574,988,061	

(i) As at 31 December 2021, the amount of accounts receivable with restricted ownership is EUR6,795,436, which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2020: EUR3,558,628, equivalent of RMB28,557,991)

VI. 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	90	-	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	97.5	-	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	USD5,000,000	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., Ltd. ("Sales Company")	Yantai, Shandong, China	Yantai, Shandong, China	Marketing and sales	RMB8,000,000	100	-	Acquired through establishment or investment
Langfang Development Zone Castel-Changyu Wine Co., Ltd ("Langfang Castel")	Langfang, Hebei, China	Langfang, Hebei, China	Manufacturing	USD6,108,818	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

Name of the Subsidiary	*Principal place of business*	*Registered place*	*Business nature*	*Registered capital*	*Shareholding ratio (%) (or similar equity interest)*		*Acquisition method*
Shanghai Changyu Sales and Distribution Co., Ltd. ("Shanghai Sales")	Shanghai, China	Shanghai, China	Marketing and sales	RMB1,000,000	100	-	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	RMB642,750,000	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
Yantai Changyu Fushan Trading Company ("Fushan Trading")(a)	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
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

Name of the Subsidiary	Principal place of business	Registered place	Business nature	Registered capital	Shareholding ratio (%) (or similar equity interest)		Acquisition method
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	85.32	-	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
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
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
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
Culture Development	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB10,000,000	100	-	Acquired through establishment or investment
Museum	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB500,000	-	100	Acquired through establishment or investment
Yantai Changyu Culture Tourism Production Sales Co., Ltd. ("Culture Sales")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB5,000,000	-	100	Acquired through establishment or investment
Yantai Changyu International Window of the Wine City Co., Ltd. ("Window of the Wine City")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB60,000,000	-	100	Acquired through establishment or investment
Yantai KOYA Brandy Chateau Co., Ltd ("Chateau KOYA")	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB10,000,000	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*
Changyu (Shanghai) International Digital Marketing Center Limited ("Digital Marketing")	Shanghai, China	Shanghai, China	Marketing and sales	RMB50,000,000	100	-	Acquired through establishment or investment
Shanghai Changyu Guoqu Digital Technology Co., Ltd. ("Shanghai Guoqu")(b)	Shanghai, China	Shanghai, China	Marketing and sales	RMB6,000,000	-	51	Acquired through establishment or investment
Tianjin Changyu Yixin Digital Technology Co., Ltd. ("Tianjin Yixin")(b)	Tianjin, China	Tianjin, China	Marketing and sales	RMB10,000,000	-	51	Acquired through establishment or investment
Shanghai Changyu Yixin Digital Technology Co., Ltd. ("Shanghai Yixin")(b)	Shanghai, China	Shanghai, China	Marketing and sales	RMB10,000,000	-	51	Acquired through establishment or investment

(a) Companies above were deregistered in 2021.

(b) The companies above are newly established companies in 2021.

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 Yantai Dean and 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 85.32% of R&D Centre's equity interest. Through agreement arrangement in Note V. 28, 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 28 February 2025. As at 31 December 2021, remaining investment of CADF accounts for 14.68% 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%	1,392,110	-	(44,725,990)
AFIP	8.47%	-	-	(56,409,393)
Golden Icewine Valley	49%	-	-	(33,319,062)
IWCC	15%	(492,609)	1,788,975	(54,712,980)

(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		*AFIP*		*Golden Icewine Valley*		*Chile Indomita Wine Group*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
Current assets	22,333,906	24,223,370	249,865,391	248,357,550	24,018,451	27,638,263	196,488,084	231,503,343
Non-current assets	43,852,510	45,465,308	414,851,163	434,045,076	24,450,344	24,246,983	314,756,823	291,345,642
Total assets	66,186,416	69,688,678	664,716,554	682,402,626	48,468,795	51,885,246	511,244,907	522,848,985
Current liabilities	(39,567)	(17,583)	27,459,352	41,910,462	12,976,418	9,967,686	130,027,677	132,100,755
Non-current liabilities	5,336,114	5,336,115	-	-	-	-	8,906,387	9,794,949
Total liabilities	5,296,547	5,318,532	27,459,352	41,910,462	12,976,418	9,967,686	138,934,064	141,895,704
Operating income	-	-	191,463,783	168,184,273	24,236,758	20,488,946	226,856,381	225,121,450
Net (loss)/ profit	(3,480,276)	(3,665,095)	2,326,063	2,092,230	(6,425,183)	(7,431,328)	19,716,978	18,196,663
Total comprehensive incom	(3,480,276)	(3,665,095)	2,326,063	2,092,230	(6,425,183)	(7,431,328)	3,284,057	18,420,833
Cash flows from operating activities	(1,292,713)	(105,873)	(4,754,748)	3,821,964	4,744,413	4,654,744	99,234,532	37,132,027

VII. 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 2021, 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 2021, 42.8% of the Group trade receivables are due from top five customers (31 December 2020: 20.3%). 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	*2021 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	630,717,486	-	-	-	630,717,486	622,066,457
Accounts payable	493,453,816	-	-	-	493,453,816	493,453,816
Other payables	452,642,025	-	-	-	452,642,025	452,642,025
Long-term loans (including the portion due within one year)	20,586,762	125,114,353	112,380,675	15,506,135	273,587,925	250,567,080
Long-term payables (including the portion due within one year)	22,810,674	22,546,674	42,322,126	-	87,679,474	86,000,000
Lease liability (including the portion due within one year)	19,753,555	17,690,615	39,763,489	75,510,332	152,717,991	116,156,677
Total	1,639,964,318	165,351,642	194,466,290	91,016,467	2,090,798,717	2,020,886,055

Item	*2020 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	698,571,997	-	-	-	698,571,997	689,090,715
Accounts payable	484,347,958	-	-	-	484,347,958	484,347,958
Other payables	386,105,526	-	-	-	386,105,526	386,105,526
Long-term loans (including the portion due within one year)	33,175,345	24,182,478	149,719,792	135,013,150	342,090,765	311,664,858
Long-term payables (including the portion due within one year)	23,074,674	22,810,674	64,868,800	-	110,754,148	108,000,000
Total	1,625,275,500	46,993,152	214,588,592	135,013,150	2,021,870,394	1,979,209,057

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	*2021*		*2020*	
	Effective interest rate	*Amounts*	*Effective interest rate*	*Amounts*
Financial assets				
- Cash at bank	1.75% - 2.25%	53,200,000	1.5% - 2.75%	93,553,062
Financial liabilities				
- Short-term loans	0.35% - 3.35%	(172,066,457)	0.35% - 3.28%	(139,090,715)
- Long-term loans (including the portion due within one year)	0.95% - 3.28%	(193,475,080)	1% - 3.28%	(280,414,858)
- Long-term payables (including the portion due within one year)	1.20%	(86,000,000)	1.20%	(108,000,000)
- Lease liability (including the portion due within one year)	4.65%	(116,156,677)	-	-
Total		(514,498,214)		(433,952,511)

Variable rate instruments:

Item	*2021*		*2020*	
	Effective interest rate	*Amounts*	*Effective interest rate*	*Amounts*
Financial assets				
- Cash at bank	0.3% - 1.82%	1,513,824,507	0.3% - 1.0%	1,100,642,230
Financial liabilities				
- Short-term loans	1 year LPR 0.005	(450,000,000)	1 year LPR 0.005	(550,000,000)
- Long-term loans (including the portion due within one year)	90% of 5 year LPR	(6,250,000)	90% of 5 year LPR	(31,250,000)
- Long-term loans (including the portion due within one year)	BBSY+1.10%	(50,842,000)	-	-
Total		1,006,732,507		519,392,230

(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 2021, 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 RMB1,901,595 (2020: RMB2,179,688), and net profit by RMB1,901,595 (2020: RMB2,179,688).

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 main 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.

	2021		*2020*	
	Balance at foreign currency	*Balance at RMB equivalent*	*Balance at foreign currency*	*Balance at RMB equivalent*
Cash at bank and on hand	2,090,539	13,406,984	2,029,849	14,053,435
- USD	1,984,323	12,640,136	1,492,923	9,744,604
- EUR	106,216	766,848	536,926	4,308,831
Short-term loans	15,490,000	98,759,593	12,490,000	81,524,728
- USD	15,490,000	98,759,593	12,490,000	81,524,728

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

	Average rate		*Balance sheet date mid-spot rate*	
	2021	*2020*	*2021*	*2020*
USD	6.4512	6.8884	6.3757	6.5272
EUR	7.6186	7.9065	7.2197	8.0250

(3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and Euro 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 2021		
USD	4,305,973	4,305,973
EUR	(38,342)	(38,342)
Total	4,267,631	4,267,631
31 December 2020		
USD	3,589,006	3,589,006
EUR	(215,442)	(215,442)
Total	3,373,564	3,373,564

A 5% weakening of the Renminbi against the US dollar and Euro 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.

VIII. 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 2021 and 31 December 2020.

IX. 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 VI.1.

3 Information on other related parties

Name of other related parties	*Related party relationship*
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
WEMISS Shanghai	Associate of the Group
Chengdu Yufeng	Associate of the Group
Mirefleurs	Subsidiaries of the joint venture
CHATEAU DE LIVERSAN (“LIVERSAN”)	Subsidiaries of the joint venture

4 Transactions with related parties

(1) Product procurement

Related parties	*Nature of transaction*	*2021*	*2020*
Shenma Packaging	Product procurement	80,754,599	78,520,694
Zhongya Pharmaceutical	Product procurement	591,522	850,478
Mirefleurs	Product procurement	6,822,330	9,261,722
LIVERSAN	Product procurement	3,269,146	3,746,069
Total		91,437,597	92,378,963

(2) Sales of goods

Related parties	*Nature of transaction*	*2021*	*2020*
Zhongya Pharmaceutical	Sales of goods	3,872,660	3,920,047
WEMISS Shanghai	Sales of goods	2,677,707	1,374,616
Chengdu Yufeng	Sales of goods	5,365,061	-
Shenma Packaging	Sales of goods	287,930	293,488
Total		12,203,358	5,588,151

(3) Services

Related parties	*Nature of transaction*	*2021*	*2020*
Shenma Packaging	Services	-	106,195
Total		-	106,195

(4) Purchase of fixed assets

Related parties of the Company	*Nature of transaction*	*2021*	*2020*
Shenma Packaging	Purchase of fixed assets	4,101,232	-
Total		4,101,232	-

(5) Sale of fixed assets

Related parties of the Company	*Nature of transaction*	*2021*	*2020*
Changyu Group	Sale of fixed assets	-	44,845,989
Total		-	44,845,989

(6) Leases

(a) As the lessor

Name of lessee	*Type of assets leased*	*Lease income recognised in 2021*	*Lease income recognised in 2020*
Shenma Packaging	Offices and plants	1,492,550	1,492,550
Zhongya Pharmaceutical	Offices and plants	522,936	522,936
Total		2,015,486	2,015,486

(b) As the lessee

Name of lessor	*Type of assets leased*	*Lease expense recognised in 2021*	*Lease expense recognised in 2020*
Changyu Group	Office buildings	1,612,118	1,612,118
Changyu Group	Offices and plants	1,394,762	1,394,762
Changyu Group	Offices and plants	4,184,286	4,184,286
Changyu Group	Offices and commercial building	7,057,143	1,050,000
Changyu Group	Office buildings	-	714,286
Total		14,248,309	8,955,452

(7) Remuneration of key management personnel

Item	*2021*	*2020*
Remuneration of key management personnel	12,495,933	6,975,110

(8) Other related party transactions

Related parties	*Nature of transaction*	*Note*	*2021*	*2020*
Changyu Group	Royalty	(a)	24,763,872	21,985,068
Changyu Group	Transfer of trademark use rights	(b)	-	18,334,528
Changyu Group	Transfer of Culture Development		-	89,519,789
Zhongya Pharmaceutical	Equity transfer of Changyu Museum		-	1,033,912

(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(tax inclusive).

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 6.3 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.

The Group incurred a trademark usage fee of RMB24,763,872 this year.

(b) Transfer of trademark use rights

On 22 April 2020, the Fourth Meeting of the Eighth Board of Directors of the Group reviewed and approved the *Proposal on Transferring the "KOYA" and Other Trademarks of Yantai Changyu Group Co., Ltd.*. On 16 June 2020, the Group and Changyu Group signed the *Trademark Transfer Agreement* to transfer the ownership of 43 trademarks owned by Changyu Group, including KOYA, ZENITHWIRL, FRANLLET, WEMISS and PIONEER at an estimated price of RMB19,434,600 (tax inclusive).

5 Receivables from and payables to related parties

Receivables from related parties

Item	*Related party*	*2021*		*2020*	
		Book value	*Provision for bad and doubtful debts*	*Book value*	*Provision for bad and doubtful debts*
Accounts receivable	Zhongya Pharmaceutical	287,788	956	714,995	3,175
Accounts receivable	WEMISS Shanghai	-	-	1,553,316	6,898
Prepayments	Shenma Packaging	-	-	126,818	-
Other non-current assets	Changyu Group	144,120,442	-	170,370,147	-
Other receivables	Shenma Packaging	341,880	-	-	-
Other receivables	Zhongya Pharmaceutical	-	-	522,936	-

Payables to related parties

Item	*Related party*	*2021*	*2020*
Accounts payable	Shenma Packaging	30,184,072	33,421,165
Accounts payable	Zhongya Pharmaceutical	-	455,176
Accounts payable	Chengdu Yufeng	344,464	-
Accounts payable	Changyu Group	19,434,600	19,434,600
Contract liability	Zhongya Pharmaceutical	653	-
Other payables	Shenma Packaging	-	450,000

X. 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.

XI. Commitments and contingencies

1 Significant commitment

(1) Capital commitments

Item	*2021*	*2020*
Long-term assets acquisition commitment	84,963,700	249,379,500
Total	84,963,700	249,379,500

(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	*2021*	*2020*
Within 1 year (inclusive)	651,000	24,076,000
Over 1 year but within 2 years (inclusive)	-	17,735,000
Over 2 years but within 3 years (inclusive)	-	15,564,000
Over 3 years	-	106,278,000
Total	651,000	163,653,000

2 Contingencies

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

XII. Subsequent events

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

According to the proposal of the Board of Directors on 25 April 2022, the Company intends to distribute cash dividend totaling RMB308,458,800 to all shareholders of 685,464,000 capital shares for the year ended 31 December 2021 on the basis of RMB4.5 (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.

XIII. 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 five parts: China, Spain, France, Chile and Australia. The management periodically evaluates segment results, in order to allocate resources and evaluate performances. In 2021, over 87% of revenue, more than 94% 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.

XIV. Notes to the Company's financial statements

1 Bills receivable

Classification of bills receivable

Item	*2021*	*2020*
Bank acceptance bills	9,800,000	-
Total	9,800,000	-

All of the above bills are due within one year.

2 Receivables under financing

Item	*Note*	*2021*	*2020*
Bills receivable	(1)	62,411,636	13,920,000
Total		62,411,636	13,920,000

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

As at 31 December 2021, there was no pledged bills receivable (31 December 2020: Nil).

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

Item	*Amount derecognised at year end*
Bank acceptance bills	65,893,889
Total	65,893,889

As at 31 December 2021, derecognised bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB65,893,889 (31 December 2020: RMB49,849,895). 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 2021*	*31 December 2020*
Dividends receivable	(1)	-	200,000,000
Others	(2)	398,072,976	380,131,798
Total		398,072,976	580,131,798

(1) Dividends receivable

Item	*31 December 2021*	*31 December 2020*
Dividends to subsidiaries	-	200,000,000
Total	-	200,000,000

(2) Others

(a) Others by customer type:

Customer type	*31 December 2021*	*31 December 2020*
Amounts due from subsidiaries	397,998,281	379,375,427
Amounts due from related parties	-	522,936
Others	74,695	233,435
Sub-total	398,072,976	380,131,798
Less: Provision for bad and doubtful debts	-	-
Total	398,072,976	380,131,798

(b) The ageing analysis is as follows:

Ageing	*2021*	*2020*
Within 1 year (inclusive)	397,936,651	378,307,160
Over 1 year but within 2 years (inclusive)	11,853	1,804,638
Over 2 years but within 3 years (inclusive)	104,472	-
Over 3 years	20,000	20,000
Sub-total	398,072,976	380,131,798
Less: Provision for bad and doubtful debts	-	-
Total	398,072,976	380,131,798

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

(c) Others by method of provisioning

Category	*2021*					*2020*				
	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	-	-	-	-	-	-	-	-	-	-
Collective assessment										
- Amounts due from subsidiaries	397,998,281	99.98	-	-	397,998,281	379,375,427	99.80	-	-	379,375,427
- Amounts due from related parties	-	-	-	-	-	522,936	0.14	-	-	522,936
- Amounts due from third parties	74,695	0.02	-	-	74,695	233,435	0.06	-	-	233,435
Total	398,072,976	100.00	-	-	398,072,976	380,131,798	100.00	-	-	380,131,798

(d) Movements of provisions for bad and doubtful debts

As at 31 December 2021, no bad and doubtful debt provision was made for other receivables (31 December 2020: Nil).

As at 31 December 2021, the Company has no other receivables written off (31 December 2020: Nil).

(e) Others categorised by nature

Nature of other receivables	*2021*	*2020*
Amounts due from subsidiaries	397,998,281	379,375,427
Amounts due from related parties	-	522,936
Others	74,695	233,435
Sub-total	398,072,976	380,131,798
Less: Provision for bad and doubtful debts	-	-
Total	398,072,976	380,131,798

(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	113,621,178	Within 1 year	28.5	-
R&D Centre	Amounts due from subsidiaries	36,611,978	Within 1 year	9.2	-
Digital Marketing	Amounts due from subsidiaries	14,925,497	Within 1 year	3.7	-
Chateau KOYA	Amounts due from subsidiaries	1,458,255	Within 1 year	0.4	-
Chateau Changyu	Amounts due from subsidiaries	419,481	Within 1 year	0.1	-
Total		167,036,389		41.9	-

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	*2021*			*2020*		
	Book value	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Investments in subsidiaries	7,593,535,027	-	7,593,535,027	7,593,535,027	-	7,593,535,027
Investments in associates	5,886,467	-	5,886,467	6,243,853	-	6,243,853
Total	7,599,421,494	-	7,599,421,494	7,599,778,880	-	7,599,778,880

(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	588,389,444	-	-	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	1,000,000	-	-	1,000,000
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	5,000,000	-	-	5,000,000
Francs Champs	236,025,404	-	-	236,025,404
Dicot	233,142,269	-	-	233,142,269
Chile Indomita Wine Group	274,248,114	-	-	274,248,114
Australia Kilikanoon Estate	129,275,639	-	-	129,275,639
Digital Marketing	1,000,000	-	-	1,000,000
Culture Development	92,479,570	-	-	92,479,570
Total	7,593,535,027	-	-	7,593,535,027

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

(3) Investments in associates:

Subsidiary	*Balance at the beginning of the year*	*Additions during the year*	*Decrease during the year*	*Balance at the end of the year*
WEMISS Shanghai	2,743,890	-	(377,079)	2,366,811
Yantai Santai Real Estate Development Co., Ltd	3,499,963	19,693	-	3,519,656
Total	6,243,853	19,693	(377,079)	5,886,467

5 Operating income and operating costs

Item	*2021*		*2020*	
	Income	*Cost*	*Income*	*Cost*
Principal activities	576,706,055	470,719,232	510,205,498	450,876,445
Other operating activities	2,189,747	1,439,506	2,098,055	1,492,067
Total	578,895,802	472,158,738	512,303,553	452,368,512
Including:Revenue from contracts with customers	576,706,055	470,719,232	510,205,498	450,876,445
Rent income	2,189,747	1,439,506	2,098,055	1,492,067

(1) Disaggregation of revenue from contracts with customers:

Type of contract	*2021*	*2020*
By type of goods or services		
- Liquor	576,706,055	510,205,498
By timing of transferring goods or services		
- Revenue recognised at a point in time	576,706,055	510,205,498

6 Investment income

Item	*2021*	*2020*
Income from long-term equity investments accounted for using cost method	867,880,564	449,760,868
Loss from long-term equity investments accounted for using equity method	(357,386)	(256,147)
Total	867,523,178	449,504,721

7 Transactions with related parties

(1) Product procurement

Related parties	*Nature of transaction*	*2021*	*2020*
Subsidiary of the parent company	Product procurement	117,808,977	107,663,061
Other related parties of the Company	Product procurement	30,002,566	36,249,251
Total		147,811,543	143,912,312

(2) Sales of goods

Related parties	*Nature of transaction*	*2021*	*2020*
Subsidiary of the parent company	Sales of goods	576,708,399	504,080,073
Other related parties of the Company	Sales of goods	3,017,548	2,952,493
Total		579,725,947	507,032,566

(3) Guarantee

The Company as the guarantor

Guarantee holder	*Currency*	*Amount of guarantee*	*Inception date of guarantee*	*Maturity date of guarantee*	*Guarantee expired (Y/N)*
R&D Centre	RMB	500,000,000	08 March 2017	08 March 2022	N
Australia Kilikanoon Estate	AUD	25,000,000	13 December 2018	13 December 2023	N

(4) Leases

(a) As the lessor

Name of lessee	*Type of assets leased*	*Lease income recognised in 2021*	*Lease income recognised in 2020*
Other related parties of the Company	Offices and plants	2,015,486	2,015,486
Subsidiary of the parent company	Offices buildings	85,714	82,569
Total		2,101,200	2,098,055

(b) As the lessee

Name of lessor	*Type of assets leased*	*Lease expense recognised in 2021*	*Lease expense recognised in 2020*
Other related parties of the Company	Office buildings	1,394,762	1,394,762
Total	Office buildings	1,394,762	1,394,762

(5) Other related party transactions

Related parties	*Nature of transaction*	*2021*	*2020*
Changyu Group	Transfer of trademark use rights	-	18,334,528
Changyu Group	Transfer of Culture Development	-	89,519,789

8 Receivables from and payables to related parties

Receivables from related parties

Item	*Related party*	*2021*		*2020*	
		Book value	*Provision for bad and doubtful debts*	*Book value*	*Provision for bad and doubtful debts*
Prepayments	Other related parties of the Company	-	-	126,818	-
Other receivables	Subsidiary of the parent company	397,998,281	-	379,375,427	-
Other receivables	Other related parties of the Company	-	-	522,936	-
Other non-current assets	Subsidiary of the parent company	2,023,500,000	-	1,530,700,000	-

Payables to related parties

Item	*Related party*	*2021*	*2020*
Accounts payable	Other related parties of the Company	28,014,000	29,634,723
Other payables	Subsidiary of the parent company	362,651,747	319,936,973
Other payables	Other related parties of the Company	-	450,000

XV. Non-recurring profit and loss statement in 2021

	Item	*Amount*
(1)	Profit and loss from disposal of non-current assets	(15,364,993)
(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)	48,240,741
(3)	Other non-operating income and expenses besides items above	2,328,169
	Sub-total	35,203,917
(4)	Tax effect	(7,306,787)
(5)	Effect on non-controlling interests after taxation	(30,486)
	Total	27,866,644

Note 1: Extraordinary gain and loss items (1) to (3) listed above are presented in the amount before taxation.

XVI. Return on net assets and earnings per share

1 Calculation of earnings per share

(1) Basic earnings per share

For calculation of the basic earnings per share, please refer to Note V.49.

(2) Basic earnings per share excluding extraordinary gain and loss

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

	2021	*2020*
Consolidated net profit attributable to ordinary shareholders of the Company	500,102,606	470,860,587
Extraordinary gains and losses attributable to ordinary shareholders of the Company	27,866,644	73,205,400
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	472,235,962	397,655,187
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	0.69	0.58

(3) Diluted earnings per share

During the reporting period, the Company did not have dilutive potential ordinary shares.

2 Calculation of weighted average return on net assets

(1) Weighted average return on net assets

Weighted average return on net assets is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2021	*2020*
Consolidated net profit attributable to ordinary shareholders of the Company	500,102,606	470,860,587
Weighted average amount of consolidated net assets	10,329,718,533	10,304,733,743
Weighted average return on net assets	4.84%	4.57%

Calculation of weighted average amount of consolidated net assets is as follows:

	2021	2020
Consolidated net assets at the beginning of the year	10,267,832,644	10,402,248,821
Impact of changes in accounting policies	(10,582,161)	-
Business combination involving entities under common control	-	(37,299,912)
Effect of consolidated net profit attributable to ordinary shareholders of the Company	232,409,650	237,836,150
The impact of the purchase of minority shareholders' equity	-	(8,046,940)
Effect of shares repurchased (Note V.36)	(159,941,600)	(290,004,376)
Weighted average amount of consolidated net assets	10,329,718,533	10,304,733,743

(2) Weighted average return on net assets excluding extraordinary gain and loss

Weighted average return on net assets excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2021	2020
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	472,235,962	397,655,187
Weighted average amount of consolidated net assets (Note)	10,329,718,533	10,243,190,738
Weighted average return on net assets excluding extraordinary gain and loss	4.57%	3.88%

Note: When a business combination under common control occurs during the reporting period, the net assets of the combining party shall be weighted from the month following the acquisition date when calculating the weighted average return on net assets after deducting non-recurring gains and losses. When calculating the weighted average return on net assets after deducting non-recurring gains and losses during the comparative period, the net assets of the combining party shall not be weighted.

Yantai Changyu Pioneer Wine Co., Ltd.

Board of Directors

April 27, 2022