YANTAI CHANGYU PIONEER WINE COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2304287

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 2022, 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 2022, 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.

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>The 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>
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Key Audit Matters (continued)

Recognition of Sales Revenue from Distributors (continued)	
Refer to the accounting policies set out in the notes to the financial statements "III. Significant accounting policies and accounting estimates" 22 and "V. Notes to the consolidated financial statements" 37.	
The Key Audit Matters	**How the Matter was Addressed in Our Audit**
	• On a sampling basis, reconcile the sales transaction before and after balance sheet date to relevant supporting files such as relevant orders, signed delivery notes, etc. to evaluate whether revenue is recognised in appropriate accounting period; • 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.

Other Information

Management of Yantai Changyu is responsible for the other information. The other information comprises all the information included in the 2022 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. 2304287

Auditor's Responsibilities for the Audit of the Financial Statements (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. 2304287

Auditor's Responsibilities for the Audit of the Financial Statements (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

Jiang Hui
(Signature and stamp)

Date: 11 04 2023

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash at bank and on hand	V.1	1,651,454,115	1,567,095,993
Bills receivable	V.2	2,712,460	42,827,666
Accounts receivable	V.3	343,982,985	291,006,410
Receivables under financing	V.4	309,329,918	364,457,497
Prepayments	V.5	60,415,508	75,235,879
Other receivables	V.6	70,542,398	30,125,270
Inventories	V.7	2,903,398,515	2,802,622,520
Other current assets	V.8	185,337,393	217,152,601
Total current assets		5,527,173,292	5,390,523,836
Non-current assets			
Long-term equity investments	V.9	41,371,385	46,496,510
Investment properties	V.10	22,115,318	24,502,258
Fixed assets	V.11	6,028,137,972	5,687,867,314
Construction in progress	V.12	40,934,161	590,172,099
Bearer biological assets	V.13	184,420,741	193,712,942
Right-of-use assets	V.14	139,887,159	134,569,039
Intangible assets	V.15	578,240,846	617,866,879
Goodwill	V.16	107,163,616	112,374,541
Long-term deferred expenses	V.17	274,699,232	284,593,163
Deferred tax assets	V.18	227,362,656	245,210,731
Other non-current assets	V.19	-	144,120,442
Total non-current assets		7,644,333,086	8,081,485,918
Total assets		13,171,506,378	13,472,009,754

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V.20	389,378,480	622,066,457
Accounts payable	V.21	503,323,746	493,453,816
Contract liabilities	V.22	165,727,991	147,120,716
Employee benefits payable	V.23	182,951,538	195,019,441
Taxes payable	V.24	239,695,902	342,322,300
Other payables	V.25	372,608,689	453,033,491
Other current liabilities	V.26	18,945,706	18,374,193
Non-current liabilities due within one year	V.27	144,020,834	110,865,126
Total current liabilities		2,016,652,886	2,382,255,540
Non-current liabilities			
Long-term loans	V.28	128,112,115	176,047,043
Lease liabilities	V.14	109,505,093	101,811,588
Long-term payables	V.29	42,000,000	64,000,000
Deferred income	V.30	38,389,058	41,295,338
Deferred tax liabilities	V.18	11,266,932	11,803,970
Other non-current liabilities	V.31	-	2,119,671
Total non-current liabilities		329,273,198	397,077,610
Total liabilities		2,345,926,084	2,779,333,150

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
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	(23,760,238)	(34,707,177)
Surplus reserve	V.35	342,732,000	342,732,000
Retained earnings	V.36	9,049,649,211	8,929,426,600
Total equity attributable to shareholders of the Company		10,579,053,733	10,447,884,183
Non-controlling interests		246,526,561	244,792,421
Total owners' equity		10,825,580,294	10,692,676,604
Total liabilities and shareholders' equity		13,171,506,378	13,472,009,754

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash at bank and on hand		874,241,771	562,588,819
Accounts receivable		2,301,505	-
Bills receivable	XIV.1	-	9,800,000
Receivables under financing	XIV.2	41,061,417	62,411,636
Prepayments		3,518,783	406,500
Other receivables	XIV.3	720,176,320	398,072,976
Inventories		335,031,522	383,294,208
Other current assets		20,080,844	20,637,860
Total current assets		1,996,412,162	1,437,211,999
Non-current assets			
Long-term equity investments	XIV.4	7,705,853,378	7,599,421,494
Investment properties		22,115,318	24,502,258
Fixed assets		216,651,596	231,284,799
Construction in progress		375,969	255,996
Bearer biological assets		108,370,882	114,753,306
Right-of-use assets		36,153,799	36,826,342
Intangible assets		75,298,044	78,043,888
Deferred tax assets		12,120,605	18,033,185
Other non-current assets		1,850,200,000	2,023,500,000
Total non-current assets		10,027,139,591	10,126,621,268
Total assets		12,023,551,753	11,563,833,267

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		100,000,000	150,000,000
Accounts payable		100,583,550	90,339,903
Employee benefits payable		68,112,832	66,770,838
Taxes payable		39,101,259	32,588,429
Other payables		499,751,275	445,874,937
Non-current liabilities due within one year		5,129,607	1,485,190
Total current liabilities		812,678,523	787,059,297
Non-current liabilities			
Lease liabilities		38,757,167	43,312,517
Deferred income		877,814	2,268,527
Deferred tax liabilities		-	88,555
Other non-current liabilities		-	1,164,471
Total non-current liabilities		39,634,981	46,834,070
Total liabilities		852,313,504	833,893,367

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note	*31 December 2022*	*31 December 2021*
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		9,582,860,014	9,141,561,665
Total owners' equity		11,171,238,249	10,729,939,900
Total liabilities and shareholders' equity		12,023,551,753	11,563,833,267

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
I.	Operating income	V.37	3,918,941,160	3,953,067,583
	Less: Operating costs	V.37	1,680,794,732	1,647,789,874
	Taxes and surcharges	V.38	289,656,627	264,057,570
	Selling and distribution expenses	V.39	1,028,966,138	998,954,105
	General and administrative expenses	V.40	287,605,531	299,076,376
	Research and development expenses		15,431,310	10,919,262
	Financial expenses	V.41	7,256,207	21,178,727
	Including: Interest expenses		26,856,890	28,851,606
	Interest income		24,186,351	19,558,354
	Add: Other income	V.42	33,145,440	48,240,741
	Investment losses	V.43	(3,447,794)	(2,784,997)
	Including: Losses from investment associates and in joint ventures		(3,447,794)	(2,784,997)
	Credit reversal/(losses)	V.44	4,752,797	(7,937,144)
	Impairment losses	V.45	(5,789,670)	(19,874,251)
	Losses from disposal of assets	V.46	(16,191,903)	(11,939,284)

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
II.	Operating profit		621,699,485	716,796,734
	Add: Non-operating income	V.47	6,832,809	5,214,304
	Less: Non-operating expenses	V.47	2,949,991	6,311,844
III.	Total profit		625,582,303	715,699,194
	Less: Income tax expenses	V.48	194,233,589	209,020,821
IV.	Net profit		431,348,714	506,678,373
	(1) Net profit classified by continuity of operations:			
	1. Net profit from continuing operations		431,348,714	506,678,373
	2. Net profit from discontinued operations		-	-
	(2) Net profit classified by ownership:			
	1. Net profit attributable to owners of the Company		428,681,411	500,102,606
	2. Non-controlling interests		2,667,303	6,575,767
V.	Other comprehensive income, net of tax		12,282,545	(39,307,949)
	(1) Other comprehensive income (net of tax) attributable to shareholders of the Company		10,946,939	(35,283,306)
	Translation differences arising from translation of foreign currency financial statements		10,946,939	(35,283,306)
	(2) Other comprehensive income (net of tax) attributable to non-controlling interests		1,335,606	(4,024,643)

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated income statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note	2022	2021
VI. Total comprehensive income for the year		443,631,259	467,370,424
(1) Attributable to shareholders of the Company		439,628,350	464,819,300
(2) Attributable to non-controlling interests		4,002,909	2,551,124
VII. Earnings per share:			
(1) Basic earnings per share	V.49	0.63	0.73
(2) Diluted earnings per share	V.49	0.63	0.73

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company income statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

			Note	*2022*	*2021*
I.	Operating income		XIV.5	675,062,421	578,895,802
	Less:	Operating cost	XIV.5	577,316,851	472,158,738
		Taxes and surcharges		27,984,695	38,263,612
		General and administrative expenses		58,441,386	74,948,200
		Research and development expenses		2,674,191	907,975
		Financial expenses		(4,912,837)	2,193,348
		Including: Interest expenses		3,238,235	5,870,092
		Interest income		10,840,336	7,122,455
	Add:	Other income		5,318,209	6,108,832
		Investment income	XIV.6	736,516,479	867,523,178
		Proceeds from the disposal of assets		33,453	-
II.	Operating profit			755,426,276	864,055,939
	Add:	Non-operating income		3,665,752	997,416
	Less:	Non-operating expenses		1,281,047	3,295,694

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company income statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
III.	Total profit		757,810,981	861,757,661
	Less: Income tax expenses		8,053,832	6,703,679
IV.	Net profit		749,757,149	855,053,982
	(i) Net profit from continuing operations		749,757,149	855,053,982
	(ii) Net profit from discontinued operations		-	-
V.	Other comprehensive income, net of tax		-	-
VI.	Total comprehensive income for the year		749,757,149	855,053,982

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
I.	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		3,681,133,282	3,674,741,084
	Refund of taxes		186,197,815	48,716,047
	Proceeds from other operating activities	V.50(1)	61,825,407	89,142,251
	Sub-total of cash inflows		3,929,156,504	3,812,599,382
	Payment for goods and services		1,266,006,299	957,499,905
	Payment to and for employees		493,589,542	507,532,110
	Payment of various taxes		718,434,215	659,986,692
	Payment for other operating activities	V.50(2)	582,249,801	562,198,017
	Sub-total of cash outflows		3,060,279,857	2,687,216,724
	Net cash flows from operating activities	V.51(1)	868,876,647	1,125,382,658
II.	Cash flows from investing activities:			
	Proceeds from disposal of investments		133,200,000	93,553,062
	Investment returns received		1,340,518	2,587,932
	Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		28,412,630	7,923,724
	Sub-total of cash inflows		162,953,148	104,064,718
	Payment for acquisition of fixed assets, intangible assets and other long-term assets		198,791,362	225,502,766
	Payment for acquisition of investments		108,200,000	54,218,000
	Sub-total of cash outflows		306,991,362	279,720,766
	Net cash flows from investing activities		(144,038,214)	(175,656,048)

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
III.	Cash flows from financing activities:			
	Proceeds from investors		-	7,840,000
	Proceeds from borrowings		641,331,495	847,358,786
	Sub-total of cash inflows		641,331,495	855,198,786
	Repayments of borrowings		903,179,998	1,036,788,771
	Payment for dividends, profit distributions or interest		333,134,330	302,051,763
	Payment for other financing activities	V.50(3)	19,774,744	15,904,567
	Sub-total of cash outflows		1,256,089,072	1,354,745,101
	Net cash flows from financing activities		(614,757,577)	(499,546,315)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		345,715	(518,371)
V.	Net increase in cash and cash equivalents	V.51(1)	110,426,571	449,661,924
	Add: Cash and cash equivalents at the beginning of the year		1,502,327,029	1,052,665,105
VI.	Cash and cash equivalents at the end of the year	V.51(2)	1,612,753,600	1,502,327,029

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
I.	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		610,597,839	514,762,698
	Tax returns received		1,597,879	-
	Proceeds from other operating activities		84,262,490	47,112,100
	Sub-total of cash inflows		696,458,208	561,874,798
	Payment for goods and services		401,136,965	313,397,323
	Payment to and for employees		67,906,188	76,053,780
	Payment of various taxes		50,709,754	39,248,076
	Payment for other operating activities		23,452,120	71,110,685
	Sub-total of cash outflows		543,205,027	499,809,864
	Net cash flows from operating activities		153,253,181	62,064,934
II.	Cash flows from investing activities:			
	Proceeds from disposal of investments		118,200,000	38,200,000
	Investment returns received		489,479,719	1,068,448,220
	Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,853,309	408,885
	Proceeds from borrowings to subsidiaries		312,000,000	162,200,000
	Sub-total of cash inflows		921,533,028	1,269,257,105
	Payment for acquisition of fixed assets, intangible assets and other long-term assets		21,831,779	22,919,289
	Payment for acquisition of investments		218,200,000	38,200,000
	Cash paid to subsidiaries		138,700,000	655,000,000
	Sub-total of cash outflows		378,731,779	716,119,289
	Net cash flows from investing activities		542,801,249	553,137,816

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Company cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		Note	*2022*	*2021*
III.	Cash flows from financing activities:			
	Proceeds from borrowings		100,000,000	150,000,000
	Sub-total of cash inflows		100,000,000	150,000,000
	Repayments of borrowings		150,000,000	150,000,000
	Payment for dividends or interest		311,697,035	280,055,692
	Payment for other financing activities		4,796,838	3,460,687
	Sub-total of cash outflows		466,493,873	433,516,379
	Net cash flows from financing activities		(366,493,873)	(283,516,379)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V.	Net increase in cash and cash equivalents		329,560,557	331,686,371
	Add: Cash and cash equivalents at the beginning of the year		513,809,440	182,123,069
VI.	Cash and cash equivalents at the end of the year		843,369,997	513,809,440

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 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 2022
(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	(34,707,177)	342,732,000	8,929,426,600	10,447,884,183	244,792,421	10,692,676,604
II. Changes in equity during the year									
(1) Total comprehensive income		-	-	10,946,939	-	428,681,411	439,628,350	4,002,909	443,631,259
(2) Appropriation of profits	V.36								
Distributions to shareholders		-	-	-	-	(308,458,800)	(308,458,800)	(2,268,769)	(310,727,569)
III. Balance at the end of the year		685,464,000	524,968,760	(23,760,238)	342,732,000	9,049,649,211	10,579,053,733	246,526,561	10,825,580,294

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

Yantai Changyu Pioneer Wine Company Limited
Consolidated statement of changes in shareholders' equity (continued)
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 11 04 2023.

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

The notes on pages 20 to 103 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 2022
(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	9,141,561,665	10,729,939,900
II. Changes in equity during the year						
(1) Total comprehensive income		-	-	-	749,757,149	749,757,149
(2) Appropriation of profits						
Distributions to shareholders		-	-	-	(308,458,800)	(308,458,800)
III. Balance at the end of the year		685,464,000	560,182,235	342,732,000	9,582,860,014	11,171,238,249

These financial statements were approved by the Board of Directors of the Company on 11 04 2023.

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

The notes on pages 20 to 103 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 (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	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 11 04 2023.

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

The notes on pages 20 to 103 form part of these financial statements.

I. Company status

Yantai Changyu Pioneer Wine Co., Ltd. (the "Company" or the "Joint Stock Company") was incorporated as a joint stock limited company in accordance with the Company Law of the People's Republic of China (the "PRC") in a reorganisation carried out by Yantai Changyu Group Co., Ltd. ("Changyu Group"), in which Changyu Group Company injected certain assets and liabilities in relation to the wine, brandy, 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 2022 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 11 04 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.

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 2022, 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 finished goods. 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 or an associate 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 or the associate 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.

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 – Revenue and CAS 1 – Inventories respectively, and recognised in profit or loss for the current period.

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
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 2022, over 82% of revenue, more than 91% of profit and over 91% 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.

Significant accounting estimates see Notes V.3 7 11 and 16.

33 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2022, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF:

- "Interpretation No. 15 of the Accounting Standards for Business Enterprises" (No. 35 [2021] of the Ministry of Finance) ("Interpretation No. 15") "Accounting treatment for the sale of products or by-products produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process";
- "Determining whether a contract is onerous" in CAS Bulletin No.15;
-
- "Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer" in CAS Bulletin No.16 (Caikuai [2022] No.31); and
- "Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled" in CAS Bulletin No.16.
-

- The adoption of the above regulations 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

Type of tax	Taxation basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	13%, 9%, 6% (China), 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), 25% (France, 2022), 26.5% (France, 2021), 28% (Spain), 27% (Chile), 30% (Australia)

Other than tax incentives stated in Note IV. 2, applicable tax rates of the Group in 2022 and 2021 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 Changyu Longyu Chateau Co., Ltd. ("Ningxia Chateau"), a subsidiary of the Company, is an enterprise of wine production and sales incorporated in Yinchuan, Ningxia Hui Autonomous Region. In accordance with the Notice on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Notice of the Ministry of Finance [2020] No. 23), Ningxia Chateau is qualified to enjoy preferential taxation policies, which means it can pay corporate income tax at a preferential rate of 15% for the period from 2021 to 2030.

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%.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Further Implementation of Preferential Enterprise Income Tax Policies for Small and Micro Enterprises (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 13), for the annual taxable income of small-scale and low-profit enterprises exceeding RMB 1 million, but is not more than RMB 3 million, the amount of taxable income shall be reduced by 25%, and the applicable rate of corporate income tax shall be 20%.Beijing Changyu Wine Sales Co., Ltd. ("Beijing Sales") is recognised as qualified small-scale and low-profit enterprises

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Value-Added Tax for Small-Scale Value-Added Tax Taxpayers (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 15), from 1 April 2022 to 31 December 2022, VAT small-scale taxpayers with tax rate of 3% of taxable sales revenue should be exempted from VAT. Xinjiang Changyu Wine Sales Co., Ltd., a subsidiary of the Company, is qualified to enjoy the exemption.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Further Stepping up the Implementation of the Policy for the Refund of Term-End Excess Input Value-Added Tax Credits (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 14), the government should further step up the implementation of the policy for the refund of term-end excess input value-added tax credits and expand the scope of industries applicable to this policy. The Company and its qualified subsidiaries have enjoyed this policy.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on the Further Implementation of Reduction and Exemption in Six Taxes and Two Fees for Small-Scale and Micro Enterprises (Notice of the Ministry of Finance and State Taxation Administration [2022] No. 10), from 1 January 2022 to 31 December 2024, People's Governments of all provinces, autonomous regions and municipalities can reduce the resource tax, urban maintenance and construction tax, property tax, Urban and township land use tax, stamp duty (excluding stamp duty on securities transaction), farmland occupation tax, education surcharges, and local education surcharges within a 50% tax range for small-scale VAT taxpayers, small-scale and low-profit enterprises, and individually-owned businesses based on the actual situation in the region. Shandong, Xinjiang, Ningxia, Shaanxi, and other provinces (regions, cities) are all subject to a 50% reduction in "six taxes and two fees", and some subsidiaries of the Company are qualified to enjoy the tax reduction.

In accordance with the Notice of the Shaanxi Provincial Department of Finance and Shaanxi Provincial Office of the State Administration of Taxation on the Issues Concerning the Reduction and Exemption for Taxpayers Having Difficulties in Payment of Urban and Township Land Use Tax and Property Tax (Shaan Cai Shui [2022] No. 6), for taxpayers whose sales in the first quarter of 2022 have decreased by more than 30% year-on-year or quarter-on-quarter and who have difficulties in paying urban and township land use tax and property tax, finance and taxation authorities should approve their applications for reduction and exemption. Shaanxi Changyu Rena Chateau Co., Ltd. and Changyu (Jingyang) Wine Co., Ltd., subsidiaries of the Company, meet the application requirements and can be exempted from the first quarter property tax and urban and township land use tax in 2022.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	*2022*	*2021*
Cash on hand	47,954	71,486
Bank deposits	1,643,577,420	1,558,134,072
Other monetary funds	7,828,741	8,890,435
Total	1,651,454,115	1,567,095,993
Including: Total overseas deposits	17,073,210	28,691,521

As at 31 December 2022, the balance of restricted cash of the Group is as follows:

Item	*2022*	*2021*
House maintenance funds	2,671,774	2,678,529

As at 31 December 2022, the Group’s term deposits with previous maturity of more than three months is RMB 28,200,000 with interest rate 2.025%-2.25% (31 December 2021: RMB53,200,000).

As at 31 December 2022, the Group's other monetary assets is as follows:

Item	*2022*	*2021*
Deposits for letters of credit	6,000,000	7,900,850
Alipay account balance	1,695,245	859,558
Deposit for ICBC platform	10,000	10,000
Deposits for the customs	123,496	120,027
Total	7,828,741	8,890,435

As at 31 December 2022, 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	*2022*	*2021*
Bank acceptance bills	2,712,460	42,827,666
Total	2,712,460	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 2022*	*31 December 2021*
Amounts due from related parties	2,827,473	287,788
Amounts due from other customers	355,711,618	310,982,372
Sub-total	358,539,091	311,270,160
Less: Provision for bad and doubtful debts	(14,556,106)	(20,263,750)
Total	343,982,985	291,006,410

As at 31 December 2022, ownership restricted accounts receivable is RMB59,982,807 (31 December 2021: RMB49,061,015), referring to Note V. 52.

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

Ageing	*2022*	*2021*
Within 1 year (inclusive)	356,064,300	302,602,474
Over 1 year but within 2 years (inclusive)	2,085,677	6,450,290
Over 2 years but within 3 years (inclusive)	152,254	1,830,913
Over 3 years	236,860	386,483
Sub-total	358,539,091	311,270,160
Less: Provision for bad and doubtful debts	(14,556,106)	(20,263,750)
Total	343,982,985	291,006,410

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.

2022

	Loss given default	*Carrying amount at the end of the year*	*Impairment loss at the end of the year*
Current	0.3%	320,680,504	987,421
Overdue for 1 to 30 days	4.6%	14,539,415	670,713
Overdue for 31 to 60 days	12.1%	5,412,870	654,202
Overdue for 61 to 90 days	22.9%	1,755,591	401,918
Overdue for 91 to 120 days	25.5%	852,924	217,910
Overdue for 121 to 150 days	32.3%	3,243,366	1,047,097
Overdue for 151 to 180 days	40.0%	469,054	187,704
Overdue for 181 to 210 days	42.0%	217,218	91,181
Overdue for 211 to 240 days	44.4%	636,479	282,588
Overdue for 241 to 270 days	51.7%	654,567	338,403
Overdue for 271 to 300 days	71.0%	1,058,407	751,067
Overdue for 301 to 330 days	87.7%	753,174	660,380
Overdue for 331 to 360 days	100.0%	15,263	15,263
Overdue for 360 days	100.0%	8,250,259	8,250,259
Total	4.1%	358,539,091	14,556,106

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

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:

	2022	*2021*
Balance at the beginning of the year after	(20,263,750)	(12,326,606)
Charge for the year	(15,084,381)	(17,855,222)
Recoveries or reversals during the year	19,837,178	9,918,078
Transfers out during the year	954,847	-
Balance at the end of the year	(14,556,106)	(20,263,750)

(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	149,053,783	Within 1 year	41.6%	458,958
Debtor Two	Third party	6,835,106	Within 1 year	1.9%	385,547
Debtor Three	Third party	6,816,495	Within 1 year	1.9%	384,497
Debtor Four	Third party	6,193,118	Within 1 year	1.7%	349,334
Debtor Five	Third party	6,070,804	Within 1 year	1.7%	18,693
Total		174,969,306		48.8%	1,597,029

4 Receivables under financing

Item	*Note*	*2022*	*2021*
Bills receivable	(1)	309,329,918	364,457,497

(1) As at 31 December 2022, there was no pledged bills receivable (31 December 2021: Nil).

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

Item	*Amount derecognised at year end*
Bank acceptance bills	500,480,279
Total	500,480,279

As at 31 December 2022, bills endorsed by the Group to other parties which are not yet due at the end of the period is RMB 500,480,279 (31 December 2021: RMB 449,373,119). 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	*2022*	*2021*
Prepayments	60,415,508	75,235,879
Total	60,415,508	75,235,879

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

Ageing	*2022*		*2021*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year (inclusive)	59,426,080	98.4%	75,207,094	99.9%
Over 1 year but within 2 years (inclusive)	989,428	1.6%	28,785	0.1%
Total	60,415,508	100.0%	75,235,879	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	12,123,832	Within 1 year	20.1%	-
Debtor Two	Prepayments	9,768,618	Within 1 year	16.2%	-
Debtor Three	Prepayments	8,796,180	Within 1 year	14.6%	-
Debtor Four	Prepayments	3,441,960	Within 1 year	5.7%	-
Debtor Five	Prepayments	1,350,000	Within 1 year	2.2%	-
Total		35,480,590		58.8%	-

6 Other receivables

	31 December 2022	*31 December 2021*
Others	70,542,398	30,125,270
Total	70,542,398	30,125,270

(1) Interest receivable

(a) Others by customer type:

Customer type	*31 December 2022*	*31 December 2021*
Amounts due from related parties	-	341,880
Amounts due from other companies	70,542,398	29,783,390
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

(b) The ageing analysis is as follows:

Ageing	*2022*	*2021*
Within 1 year (inclusive)	67,221,713	27,191,986
Over 1 year but within 2 years (inclusive)	1,208,361	70,480
Over 2 years but within 3 years (inclusive)	57,928	190,857
Over 3 years	2,054,396	2,671,947
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

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 2022, no bad and doubtful debt provision was made for other receivables (31 December 2021: Nil).

As at 31 December 2022, the Group has no other receivables written off (31 December 2021: Nil).

(d) Others categorised by nature

Nature of other receivables	*2022*	*2021*
Land purchases and reserves receivable	41,268,902	11,550,000
Refund of consumption tax and VAT	12,509,201	7,204,557
Deposit	5,578,001	4,568,157
Petty cash receivable	440,759	252,481
Others	10,745,535	6,550,075
Sub-total	70,542,398	30,125,270
Less: Provision for bad and doubtful debts	-	-
Total	70,542,398	30,125,270

(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	41,268,902	Within 1 year	58.5%	-
Debtor Two	Refund of VAT	10,927,015	Within 1 year	15.5%	-
Debtor Three	Deposits	2,002,000	Within 1 year	2.8%	-
Debtor Four	Refund of VAT	1,582,186	Within 1 year	2.2%	-
Debtor Five	Advance items	1,452,991	Within 1 year	2.1%	-
Total		57,233,094		81.1%	-

7 Inventories

(1) Inventories by category:

Item	*2022*			*2021*		
	Book value	*Provision for impairment of inventories*	*Carrying amount*	*Book value*	*Provision for impairment of inventories*	*Carrying amount*
Raw materials	258,200,178	-	258,200,178	245,114,403	-	245,114,403
Work in progress	1,986,391,270	-	1,986,391,270	1,937,081,109	-	1,937,081,109
Finished goods	673,171,026	(14,363,959)	658,807,067	634,212,222	(13,785,214)	620,427,008
Total	2,917,762,474	(14,363,959)	2,903,398,515	2,816,407,734	(13,785,214)	2,802,622,520

(2) Provision for impairment of inventories:

Item	*Opening balance*	*Increase during the year*	*Decrease during the year*	*Closing balance*
		Recognised	*Reversal*	
Finished goods	13,785,214	14,363,959	(13,785,214)	14,363,959

8 Other current assets

Item	*2022*	*2021*
Royalty (Note V. 19)	120,930,641	-
Input tax to be credited	44,270,238	198,516,812
Prepaid income taxes	19,102,111	16,697,663
Deferred expenses	1,034,403	1,938,126
Total	185,337,393	217,152,601

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	*2022*	*2021*
Investments in joint ventures	37,970,535	39,652,834
Investments in associates	3,400,850	6,843,676
Sub-total	41,371,385	46,496,510
Less: Provision for impairment	-	-
Total	41,371,385	46,496,510

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

Investee	*2022 Balance at the beginning of the year*	*Movements during the year*			*2022 Closing balance*	*Shareholding percentage*
		Increase in capital	*Decrease in capital*	*Losses from investments under equity-method*		
Joint ventures						
SAS L&M Holdings ("L&M Holdings")	39,652,834		-	(1,682,299)	[illegible]	
Associates						
WEMISS (Shanghai) Enterprise Development Co., Ltd ("WEMISS Shanghai")	2,366,811		-	(48,460)	[illegible]	
Yantai. Santai Real Estate Development Co., Ltd.(Note1)	3,519,656		(3,519,656)	-		
Chengdu Yufeng Brand Management Co., Ltd. (Note2)	481,472		-	(61,103)	[illegible]	
Yantai Guolong Wine Industry Co., Ltd. (Note2)	475,737		-	186,393	[illegible]	
Sub-total	6,843,676		(3,519,656)	76,830	[illegible]	
Total	46,496,510		(3,519,656)	(1,605,469)	[illegible]	

Note 1: In April 2022, the Board of Directors of the Company resolved to agree the liquidation of Yantai Santai Real Estate Development Co., Ltd. ("Santai Real Estate"). In May 2022, Yantai Santai Real Estate Development Co., Ltd. held a shareholders' general meeting, the Company and Shandong Greentown Investment Property Co., Ltd. and China Continents and Oceans Construction Co., Ltd. have reach agreement on the liquidation of Yantai Santai Real Estate Development Co., Ltd. Santai Real Estate has completed the deregistration procedures in August 2022. After the liquidation, the Company recovered RMB 1,677,331 in total, resulting in investment losses of RMB 1,842,325.

Note 2: The Group has appointed one director to each of these investees.

10 Investment properties

	Buildings and plants
Cost	
Balance as at 31 December 2021 and 31 December 2022	70,954,045
Accumulated depreciation	
31 December 2021	(46,451,787)
Charge for the year	(2,386,940)
31 December 2022	(48,838,727)
Carrying amount	
31 December 2022	22,115,318
31 December 2021	24,502,258

11 Fixed assets

(1) Fixed assets

Item	*Plant & buildings*	*Machinery & equipment*	*Motor vehicles*	*Total*
Cost				
31 December 2021	5,294,917,836	2,820,909,563	27,181,876	8,143,009,275
Additions during the year				
- Purchases	19,223,038	62,551,100	1,423,629	83,197,767
- Transfers from construction in progress	608,452,694	4,638,003	-	613,090,697
Disposals or written-offs during the year	(44,394,513)	(94,370,491)	(2,716,953)	(141,481,957)
31 December 2022	5,878,199,055	2,793,728,175	25,888,552	8,697,815,782
Accumulated depreciation				
31 December 2021	(1,017,892,171)	(1,397,163,895)	(22,607,868)	(2,437,663,934)
Charge for the year	(157,770,688)	(151,791,806)	(2,088,585)	(311,651,079)
Disposals or written-offs during the year	8,567,494	71,691,834	2,063,424	82,322,752
31 December 2022	(1,167,095,365)	(1,477,263,867)	(22,633,029)	(2,666,992,261)
Provision for impairment				
31 December 2021	-	(17,478,027)	-	(17,478,027)
Reversal during the year	-	14,792,478	-	14,792,478
31 December 2022	-	(2,685,549)	-	(2,685,549)
Carrying amount				
31 December 2022	4,711,103,690	1,313,778,759	3,255,523	6,028,137,972
31 December 2021	4,277,025,665	1,406,267,641	4,574,008	5,687,867,314

As at 31 December 2022, ownership restricted net value of fixed assets is RMB303,897,124 (31 December 2021: RMB313,012,605), referring to Note V. 52.

(2) Fixed assets leased out under operating leases

Item	*Cost*	*Accumulated depreciation*	*Provision for impairment*	*Carrying amount*
Buildings	24,150,108	(11,271,447)	-	12,878,661
Machinery equipment	19,121,524	(16,384,009)	(2,685,549)	51,966
Motor vehicles	3,213,054	(3,060,512)	-	152,542
Total	46,484,686	(30,715,968)	(2,685,549)	13,083,169

(3) Fixed assets leased out under operating leases

Item	*Carrying amount at the end of the year*
Machinery equipment	4,365

(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	268,686,071	Processing
Buildings and boiler houses of KOYA Brand	173,899,231	Processing
European town, main building and service building of AFIP	164,540,005	Processing
Office and packaging shop of Golden Icewine Valley	9,436,822	Processing
Fermentation shop of Zhangyu (Jingyang)	4,698,998	Processing
Office, experiment building and workshop of Fermentation Centre	3,147,779	Processing
Finished goods warehouse and workshop of Kylin Packaging	2,034,138	Processing
Others	276,938	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	*2022*			*2021*		
	Book value	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Museum construction project	32,981,419	-	32,981,419	37,093	-	37,093
Shihezi Chateau Construction Project	7,065,744	-	7,065,744	1,028,512	-	1,028,512
Ningxia Chateau Construction Project	-	-	-	2,835,598	-	2,835,598
Changan Chateau Construction Project	-	-	-	1,245,742	-	1,245,742
R&D Centre ("Changyu Wine Complex") Project	-	-	-	577,328,351	-	577,328,351
Other Companies' Construction Project	886,998	-	886,998	7,696,803	-	7,696,803
Total	40,934,161	-	40,934,161	590,172,099	-	590,172,099

(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 2022 (%)*	*Sources of funding*
Museum construction project	51	37,093	32,944,326	-	-	32,981,419	6	-	-	-	Self-raised
Shihezi Chateau Construction Project	780	1,028,512	6,037,232	-	-	7,065,744	9	-	-	-	Self-raised
Ningxia Chateau Construction Project	428	2,835,598	1,363,790	(4,199,388)	-	-	10	-	-	-	Self-raised
Changan Chateau Construction Project	698	1,245,742	718,344	(1,964,086)	-	-	10	-	-	-	Self-raised
Changyu Wine Complex	3,740	577,328,351	39,794,848	(606,407,063)	(10,716,136)	-	100%	17,155,308	-	-	Loans from financial institutions and 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 2021	17,909,982	252,353,951	270,263,933
Additions during the year			
- Increase in cultivated	5,730,348	8,750	5,739,098
- Transferred to mature	(121,173)	121,173	-
Decrease during the year	(113,600)	(12,500)	(126,100)
31 December 2022	23,405,557	252,471,374	275,876,931
Accumulated amortisation			
31 December 2021	-	(76,550,991)	(76,550,991)
Charge for the year	-	(14,911,694)	(14,911,694)
Decrease during the year	-	6,495	6,495
31 December 2022	-	(91,456,190)	(91,456,190)
Carrying amount			
31 December 2022	23,405,557	161,015,184	184,420,741
31 December 2021	17,909,982	175,802,960	193,712,942

As at 31 December 2022, there is no biological asset with ownership restricted (31 December 2021: Nil).

As at 31 December 2022, no provision for impairment of biological asset of the Group was recognised as there is no any indication exists (31 December 2021: 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	57,368,820	137,980,409	1,697,986	197,047,215
Additions during the year	27,449,712	-	-	27,449,712
Balance at the end of the year	84,818,532	137,980,409	1,697,986	224,496,927
Accumulated depreciation				
Balance at the beginning of the year	(17,898,529)	(43,900,453)	(679,194)	(62,478,176)
Charge for the year	(16,025,426)	(5,766,568)	(339,598)	(22,131,592)
Balance at the end of the year	(33,923,955)	(49,667,021)	(1,018,792)	(84,609,768)
Carrying amounts				
At the end of the year	50,894,577	88,313,388	679,194	139,887,159
At the beginning of the year	39,470,291	94,079,956	1,018,792	134,569,039

Lease liabilities

Item	*Note*	*31 December 2022*	*1 January 2022*
Long-term lease liabilities		128,514,033	116,156,677
Less: lease liabilities due within one year	V,27	19,008,940	14,345,089
Total		109,505,093	101,811,588

(2) As a lessor

Operating lease

Item	*2022*	*2021*
Lease income	2,341,226	2,015,486

15 Intangible assets

Item	*Land use rights*	*Software licenses*	*Trademarks*	*Total*
Original book value				
31 December 2021	500,566,714	100,664,699	189,491,618	790,723,031
Additions during the year				
- Purchase	-	1,314,730	83,450	1,398,180
Decrease during the year				
- Disposals	(24,795,833)	-	-	(24,795,833)
31 December 2022	475,770,881	101,979,429	189,575,068	767,325,378
Accumulated amortisation				
31 December 2021	(104,622,145)	(53,525,938)	(14,708,069)	(172,856,152)
Additions during the year				
- Charge for the year	(15,613,814)	(9,309,645)	(842,812)	(25,766,271)
Decrease during the year				
- Disposal	9,537,891	-	-	9,537,891
31 December 2022	(110,698,068)	(62,835,583)	(15,550,881)	(189,084,532)
Carrying amount				
31 December 2022	365,072,813	39,143,846	174,024,187	578,240,846
31 December 2021	395,944,569	47,138,761	174,783,549	617,866,879

As at 31 December 2022, the Group has land use right with infinite useful lives of RMB32,376,235 (31 December 2021: RMB32,640,119), 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 2022, the Group has trademark with infinite useful lives of RMB155,345,421 (31 December 2021: RMB155,355,846), 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 13.0% and 14.1%, 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 2022, the management believes there is no impairment loss on those trademarks with infinite useful lives of the Group.

As at 31 December 2022, ownership restricted net value of intangible assets is RMB 169,385,254 (31 December 2021: RMB201,345,477), referring to Note V. 52.

16 Goodwill

(1) Changes in goodwill

Name of investee or events from which goodwill arose	*Note*	*31 December 2021*	*Additions during the year*	*Disposals during the year*	*31 December 2022*
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					
Chile Indomita Wine Group		(37,063,130)	-	-	(37,063,130)
Dicot Partners, S.L (“Dicot”)		-	(5,210,925)	-	(5,210,925)
Sub-total		(37,063,130)	(5,210,925)	-	(42,274,055)
Carrying amount		112,374,541	(5,210,925)	-	107,163,616

(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.

As at 31 December 2022, Australia Kilikanoon Estate has made full provision for impairment of goodwill and Atrio has made provision for impairment amounted to RMB 5,210,925 for the current period.

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 Roullet Fransac, Dicot, and Mirefleurs, Indomita Wine are 11.4%, 11.8%, and 13.0%, respectively (2021: 12.1%, 11.2%, and 11.0%). 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 Dicot Partners, S.L is lower than its book value. Therefore, on 31 December 2022, the provision for impairment of goodwill of this year was RMB 5,210,925. The impairment loss amounting to RMB5,210,925 was recognised in asset impairment loss in 2022.

17 Long-term deferred expenses

Item	*31 December 2021*	*Additions during the year*	*Amortisation for the year*	*31 December 2022*
Land requisition fee	46,822,724	-	(1,778,943)	45,043,781
Greening fee	127,686,106	-	(8,690,102)	118,996,004
Leasehold improvement	104,279,631	7,864,611	(8,248,878)	103,895,364
Others	5,804,702	1,582,204	(622,823)	6,764,083
Total	284,593,163	9,446,815	(19,340,746)	274,699,232

18 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Item	*31 December 2022*		*31 December 2021*	
	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	31,605,614	8,024,903	51,526,991	11,522,575
Unrealised profits of intra-group transactions	431,328,252	107,832,063	481,484,528	120,371,131
Unpaid bonus	132,673,269	33,168,317	150,325,085	37,581,271
Termination benefits	9,422,154	2,355,538	14,132,191	3,533,048
Deductible tax losses	285,560,642	67,483,931	266,833,106	63,160,456
Deferred income	38,389,058	8,288,411	41,295,338	8,642,716
Others	837,972	209,493	1,598,132	399,534
Sub-total	929,816,961	227,362,656	1,007,195,371	245,210,731
Deferred tax liabilities:				
Revaluation due to business combinations involving entities not under common control	43,651,105	10,577,065	46,411,478	11,300,970
Others	2,759,468	689,867	2,012,000	503,000
Sub-total	46,410,573	11,266,932	48,423,478	11,803,970

(2) Details of unrecognised deferred tax assets

Item	*2022*	*2021*
Deductible tax losses	352,775,161	234,250,359

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

Year	*2022*	*2021*
2022	-	21,367,869
2023	22,801,737	22,801,737
2024	42,088,453	42,088,453
2025	75,724,538	75,794,409
2026	72,197,891	72,197,891
2027	139,962,542	-
Total	352,775,161	234,250,359

19 Other non-current assets

Item	*2022*	*2021*
Royalty	-	144,120,442

Pursuant to a royalty agreement dated 18 May 1997, starting from 18 September 1997, the Group 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.

The Group's royalty in 2022 was RMB 23,189,801 (VAT included). When the difference is deducted by the above-mentioned amount, the balance of royalty due from Changyu Group was RMB 120,930,641 . Classified it to other current assets on 31 December 2022.

20 Short-term loans

Short-term loans by category:

Item	*2022*	*2021*
Unsecured loans	227,866,802	478,331,156
Mortgaged loans	127,908,137	118,469,193
Guaranteed loans	33,603,541	25,266,108
Total	389,378,480	622,066,457

As at 31 December 2022, 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)	200,000,000	1.0000	200,000,000	Floating	1 Year LPR - 0.5%	3.20%
Credit loans (USD)	4,000,000	6.9646	27,866,802	Fixed	4.15% - 5.95%	4.15% - 5.95%
Mortgaged loans (EUR)	8,080,778	7.4229	59,982,807	Fixed	0.65% - 1.60%	0.65% - 1.60%
Mortgaged loans (USD)	9,750,000	6.9646	67,925,330	Fixed	4.15% - 6.76%	4.15% - 6.76%
Guaranteed loans (AUD)	7,128,758	4.7138	33,603,541	Floating	1.81% - 2.54%	1.81% - 2.54%
Total			389,378,480			

- As at 31 December 2022, 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 EUR8,080,778 (equivalent of RMB59,982,807) (31 December 2021: EUR6,795,437, equivalent of RMB49,061,015).

- On 31 December 2022, Chile Indomita Wine Group pledged its fixed assets to Banco Scotiabank to borrow USD9,750,000 (equivalent to RMB67,925,330) (31 December 2021: USD11,000,000, equivalent to RMB69,408,178).

- On 31 December 2022, the secured loan represented the secured loan of Australia Kilikanoon Estate of AUD7,128,758 (equivalent to RMB33,603,541) (31 December 2021: AUD5,466,488, equivalent to RMB25,266,108).

21 Accounts payable

Ageing	*2022*	*2021*
Within 1 year (inclusive)	466,035,065	486,006,974
Over 1 year but within 2 years (inclusive)	34,588,275	4,435,786
Over 2 years but within 3 years (inclusive)	1,637,390	1,405,133
Over 3 years	1,063,016	1,605,923
Total	503,323,746	493,453,816

Significant accounts payable with ageing of more than one year:

Item	*Balance at the end of the year*	*Reason for no repayment*
Entity 1	19,434,600	Payable to parent company
Entity 2	13,185,095	Credit period of more than 1 year from overseas original wine suppliers
Total	32,619,695	

22 Contract liabilities

Item	*As at 31 December 2022*	*As at 1 January 2022*
Receipt in advance	164,437,033	144,013,594
Withholding sales rebates	1,290,958	3,107,122
Total	165,727,991	147,120,716

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 2021*	*Additions during the year*	*Decrease during the year*	*31 December 2022*
Short-term employee benefits	(2)	180,557,897	443,469,022	(450,829,428)	173,197,491
Post-employment benefits - defined contribution plans	(3)	329,353	36,634,508	(36,631,968)	331,893
Termination benefits		14,132,191	1,418,109	(6,128,146)	9,422,154
Total		195,019,441	481,521,639	(493,589,542)	182,951,538

(2) Short-term employee benefits

	31 December 2021	*Additions during the year*	*Decrease during the year*	*31 December 2022*
Salaries, bonuses, allowances	178,842,535	392,427,646	(401,626,779)	169,643,402
Staff welfare	1,640,965	17,421,550	(17,602,345)	1,460,170
Social insurance	303,836	16,415,455	(16,412,047)	307,244
Medical insurance	303,836	14,763,764	(14,760,356)	307,244
Work-related injury insurance	-	1,632,827	(1,632,827)	-
Maternity insurance	-	18,864	(18,864)	-
Housing fund	38,582	12,431,795	(12,431,795)	38,582
Labour union fee, staff and workers' education fee	1,851,650	4,772,576	(4,876,133)	1,748,093
Sub-total	182,677,568	443,469,022	(452,949,099)	173,197,491
Less: Non-current liabilities	2,119,671	-	(2,119,671)	-
Total	180,557,897	443,469,022	(450,829,428)	173,197,491

(3) Post-employment benefits - defined contribution plans

	31 December 2021	Additions during the year	Decrease during the year	31 December 2022
Basic pension insurance	328,120	35,439,551	(35,437,011)	330,660
Unemployment insurance	1,233	1,194,957	(1,194,957)	1,233
Total	329,353	36,634,508	(36,631,968)	331,893

24 Taxes payable

Item	2022	2021
Value-added tax	42,260,465	54,103,944
Consumption tax	45,524,174	70,563,701
Corporate income tax	131,264,991	194,566,746
Individual income tax	1,199,990	872,252
Tax on the use of urban land	1,899,840	2,441,121
Education surcharges	2,731,857	5,199,891
Urban maintenance and construction tax	6,168,990	7,128,647
Others	8,645,595	7,445,998
Total	239,695,902	342,322,300

25 Other payables

	Note	31 December 2022	31 December 2021
Interest payable		88,889	323,074
Dividends payable		70,317	68,392
Others	(1)	372,449,483	452,642,025
Total		372,608,689	453,033,491

(1) Others

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

Item	2022	2021
Deposit payable to dealer	207,492,570	241,414,134
Advertising fee payable	40,244,601	41,264,460
Equipment and construction fee payable	15,976,573	44,345,312
Freight charges payable	25,894,816	29,192,798
Deposits due to suppliers	13,549,010	12,966,789
Contracting fee payable	7,407,093	8,668,872
Staff deposit	508,175	743,460
Others	61,376,645	74,046,200
Total	372,449,483	452,642,025

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

26 Other current liabilities

Item	As at 31 December 2022	As at 31 December 2021
Tax to be transferred out as sales	18,945,706	18,374,193
Total	18,945,706	18,374,193

27 Non-current liabilities due within one year

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

Item	*2022*	*2021*
Long-term loans due within one year	103,011,894	74,520,037
Long-term payables due within one year	22,000,000	22,000,000
Long-term lease liabilities due within one year	19,008,940	14,345,089
Total	144,020,834	110,865,126

28 Long-term loans

Long-term loans by category

Item	*2022*	*2021*
Credit loans	186,342,909	193,475,080
Guaranteed loans	44,781,100	57,092,000
Less: Long-term loans due within one year	103,011,894	74,520,037
Total	128,112,115	176,047,043

As at 31 December 2022, 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)	24,698,121	7.4229	183,331,681	Fixed	1.50%-3.65%	1.50%-3.65%	103,011,894	80,319,787
Guaranteed loans (RMB)	405,667	7.4229	3,011,228	Floating	2.85%-3.35%	2.85%-3.35%	-	3,011,228
Guaranteed loans (AUD)	9,500,000	4.7138	44,781,100	Floating	BBSY+1.10%	2.29%	-	44,781,100
Total			231,124,009				103,011,894	128,112,115

As at 31 December 2022, Credit loans (EUR) were EUR 25,103,788 borrowed by Banco Sabadell, Bankia, Banco Santander, BBVA, Caja Rural de Navarr etc. (equivalent of RMB186,342,909 (31 December 2021: EUR26,798,216, equivalent of RMB193,475,080). Australia Kilikanoon Estate has borrowed AUD9,500,000 (equivalent of RMB44,781,100) (31 December 2021: AUD11,000,000, equivalent of RMB50,842,000) from ANZ Bank and it was guaranteed by the Company.

29 Long-term payables

Item	*2022*	*2021*
Agricultural Development Fund of China (“CADF”)	64,000,000	86,000,000
Less: Long-term payables due within one year	22,000,000	22,000,000
Balance of long-term payables	42,000,000	64,000,000

In 2016, RMB305,000,00, 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 RMB22,000,000 in 2022. 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	
64,000,000	1.20%	29 February 2016	28 February 2025	22,000,000	42,000,000	Fixed assets and intangible assets

30 Deferred income

Item	31 December 2021	Additions during the year	Decrease during the year	31 December 2022
Government grants	41,295,338	9,153,000	(12,059,280)	38,389,058

Government grants:

Liability	31 December 2021	Additions of government grants during the year	Amounts recognised in other income during the year	31 December 2022	Related to assets/income
Industrial development support project	20,500,000	-	(4,100,000)	16,400,000	Government grants related to assets
Xinjiang industrial revitalisation and technological transformation project	11,376,000	-	(1,422,000)	9,954,000	Government grants related to assets
Retaining wall subsidies	-	6,380,000	(406,667)	5,973,333	Government grants related to assets
Coal subsidy	2,079,711	-	-	2,079,711	Government grants related to assets
Wine fermentation capacity construction (Huanren) project	2,000,000	-	(400,000)	1,600,000	Government grants related to assets
Special fund for efficient water-saving irrigation project	1,153,000	-	(162,000)	991,000	Government grants related to assets
Engineering technology transformation of information system project	1,160,000	-	(580,000)	580,000	Government grants related to assets
Subsidy for economic and energy-saving technological transformation projects	641,500	-	(128,300)	513,200	Government grants related to assets
Subsidy for mechanic development of Penglai Daliuhang Base	225,588	-	(135,180)	90,408	Government grants related to assets
Special government grant for infrastructure	1,060,000	-	(1,060,000)	-	Government grants related to assets
Liquor electronic tracking project	524,095	-	(524,095)	-	Government grants related to assets
Fixed asset investment reward of Shihezi Chateau project	156,600	-	(156,600)	-	Government grants related to assets
Subsidy for boiler reconstruction and demolition	60,000	-	(60,000)	-	Government grants related to assets
Special Funds for Innovation-Driven Development of Yantai City	308,844	-	(136,438)	172,406	Related to income
Prize from Industrial Design Competition of Yantai Mayor’s Cup	50,000	-	(15,000)	35,000	Related to income
Wine industry development project	-	2,773,000	(2,773,000)	-	Related to income
Total	41,295,338	9,153,000	(12,059,280)	38,389,058	

31 Other non-current liabilities

Item	*31 December 2022*	*31 December 2021*
Employee benefits payable	-	2,119,671

32 Share capital

	At 31 December 2021 and 31 December 2022
Unrestricted A shares	453,460,800
B shares	232,003,200
Total of unrestricted shares	685,464,000

33 Capital reserve

Item	*31 December 2021*	*Additions during the year*	*Decrease during the year*	*31 December 2022*
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	(34,707,177)	12,282,545	-	-	10,946,939	1,335,606	(23,760,238)

35 Surplus reserve

Item	*31 December 2022*	*31 December 2021*
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 2022 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*	*2022*	*2021*
Retained earnings at the beginning of the year (before adjustment)		8,929,426,600	8,714,091,755
Impact of retrospective adjustment of accounting standards		-	(10,582,161)
Retained earnings at the beginning of the year (after adjustment)		8,929,426,600	8,703,509,594
Add: Net profits for the year attributable to shareholders of the Company		428,681,411	500,102,606
Less: Dividends to ordinary shares	(1)	(308,458,800)	(274,185,600)
Retained earnings at the end of the year	(2)	9,049,649,211	8,929,426,600

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

Pursuant to the shareholders' approval at the shareholders' general meeting on 27 May 2022, a cash dividend of RMB 0.45 per share (2021: RMB0.4 per share), totalling RMB308,458,800 (2021: RMB274,185,600).

(2) Retained earnings at the end of the year

As at 31 December 2022, the consolidated retained earnings attributable to the Company included an appropriation of RMB58,180,889 (2021: RMB58,041,628) to surplus reserve made by the subsidiaries.

37 Operating income and operating costs

Item	*2022*		*2021*	
	Income	*Cost*	*Income*	*Cost*
Principal activities	3,860,311,318	1,651,154,424	3,879,875,396	1,604,954,772
Other operating activities	58,629,842	29,640,308	73,192,187	42,835,102
Total	3,918,941,160	1,680,794,732	3,953,067,583	1,647,789,874
Including:Revenue from contracts with customers	3,916,599,934	1,679,459,968	3,951,052,097	1,646,424,782
Rent income	2,341,226	1,334,764	2,015,486	1,365,092

(1) Disaggregation of revenue from contracts with customers:

Type of contract	*2022*	*2021*
By type of goods or services		
- Liquor	3,860,311,318	3,879,875,396
- Others	56,288,616	71,176,701
By timing of transferring goods or services		
- Revenue recognised at a point in time	3,916,599,934	3,951,052,097

38 Taxes and surcharges

Item	*2022*	*2021*
Consumption tax	198,284,289	164,791,894
Urban maintenance and construction tax	28,067,931	30,604,422
Education surcharges	19,554,864	22,147,840
Property tax	28,150,521	28,005,705
Tax on the use of urban land	11,403,394	11,654,759
Stamp duty	3,230,856	6,488,829
Others	964,772	364,121
Total	289,656,627	264,057,570

39 Selling and distribution expenses

Item	*2022*	*2021*
Salaries and benefits	282,395,182	308,876,899
Marketing fee	322,593,973	251,443,176
Labour service fee	108,784,934	96,864,855
Depreciation expense	47,509,217	48,014,605
Storage rental	25,572,282	28,110,876
Advertising fee	75,862,425	91,168,885
Royalty	21,877,171	24,763,872
Travelling expenses	23,759,493	21,624,100
Design and production fee	30,594,519	30,247,672
Conference fee	8,735,659	20,088,371
Water, electricity and gas fee	16,438,410	14,988,125
Others	64,842,873	62,762,669
Total	1,028,966,138	998,954,105

40 General and administrative expenses

Item	*2022*	*2021*
Salaries and benefits	73,824,670	73,920,103
Depreciation expenses	85,366,361	79,928,195
Repair costs	11,853,538	16,467,478
Administrative expenses	23,586,680	26,124,859
Amortisation expenses	18,057,909	19,354,205
Amortisation of greening fee	17,846,265	19,186,231
Rental charge	122,097	5,735,121
Safety production costs	11,539,602	11,190,158
Security and cleaning fee	8,530,050	7,455,965
Contracting fee	4,309,290	9,192,907
Others	32,569,069	30,521,154
Total	287,605,531	299,076,376

41 Financial expenses

Item	*2022*	*2021*
Interest expenses from loans and payables	22,174,501	24,504,339
Interest expenses from lease liabilities	4,682,389	5,292,452
Less: Borrowing costs capitalised	-	945,185
Interest income from deposits	(24,186,351)	(19,558,354)
Net exchange losses	3,301,716	8,296,888
Other financial expenses	1,283,952	3,588,587
Total	7,256,207	21,178,727

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

42 Other income

Item	*2022*	*2021*	*Related to assets/income*
Industrial development support project	4,100,000	4,100,000	Government grants related to assets
Wine production capacity construction project	400,000	400,000	Government grants related to assets
Xinjiang Industrial Revitalization and Technological Transformation Project	1,422,000	1,422,000	Government grants related to assets
Special subsidies for infrastructure support	1,060,000	1,060,000	Government grants related to asse
Shandong Peninsula Blue Economic Area construction funds	-	2,000,000	Government grants related to assets
Others - Government grants related to assets	2,152,842	4,451,324	Government grants related to assets
Special funds for the development of enterprises	8,380,737	6,815,339	Related to income
Tax refunds	7,592,342	13,747,870	Related to income
Wine Industry Development Project	2,773,000	186,000	Related to income
Others - Government grants related to income	5,264,519	14,058,208	Related to income
Total	33,145,440	48,240,741	

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

43 Investment losses

Investment losses by item

Item	*2022*	*2021*
Long-term equity investment losses under equity method	(1,605,469)	(2,784,997)
Investment loss arising from disposal of long-term equity investments	(1,842,325)	-
Total	(3,447,794)	(2,784,997)

44 Credit reversal/(losses)

Item	*2022*	*2021*
Accounts receivable	4,752,797	(7,937,144)
Total	4,752,797	(7,937,144)

45 Impairment losses

Item	*2022*	*2021*
Inventories	(578,745)	689,420
Goodwill	(5,210,925)	(20,563,671)
Total	(5,789,670)	(19,874,251)

46 Loss from asset disposals

Item	*2022*	*2021*
Loss from disposal of fixed assets	16,191,903	11,939,284

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	*2022*	*2021*
Insurance compensation	3,038,560	1,069,670
Net income from fine	566,334	1,068,169
Inventory stocktake surplus	-	1,019,314
Others	3,227,915	2,057,151
Total	6,832,809	5,214,304

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

(2) Non-operating expenses

Item	*2022*	*2021*
Compensation, penalty and fine expenses	723,161	1,761,266
Donations provided	693,625	900,000
Losses from damage or scrapping of non current assets	867,796	3,425,709
Others	665,409	224,869
Total	2,949,991	6,311,844

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

48 Income tax expenses

Item	*Note*	*2022*	*2021*
Current tax expense for the year based on tax law and regulations		176,922,552	248,208,920
Changes in deferred tax assets/liabilities	(1)	17,311,037	(39,188,099)
Total		194,233,589	209,020,821

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

Item	*2022*	*2021*
Origination of temporary differences	17,311,037	(39,188,099)
Total	17,311,037	(39,188,099)

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

Item	*2022*	*2021*
Profit before taxation	625,582,303	715,699,194
Estimated income tax at 25%	156,395,576	178,924,799
Effect of different tax rates applied by subsidiaries	3,875,636	7,223,819
Effect of non-deductible costs, expense and losses	6,207,982	9,480,180
Effect of deductible losses of deferred tax assets not recognised for the year	26,681,652	12,159,985
Deferred tax assets written-off	1,072,743	1,232,038
Income tax expenses	194,233,589	209,020,821

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:

	2022	*2021*
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share (RMB/share)	0.63	0.73

Weighted average number of ordinary shares is calculated as follows:

	2022	*2021*
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	*2022*	*2021*
Government grants	30,239,160	36,882,470
Penalty income	566,334	1,068,169
Interest income from bank	22,845,833	19,558,354
Others	8,174,080	31,633,258
Total	61,825,407	89,142,251

(2) Payments relating to other operating activities:

Item	*2022*	*2021*
Selling and distribution expenses	443,486,326	430,962,311
General and administrative expenses	92,510,326	128,747,237
Others	46,253,149	2,488,469
Total	582,249,801	562,198,017

(3) Proceeds relating to other financing activities:

Item	*2022*	*2021*
Cash paid for lease	19,774,744	15,904,567
Total	19,774,744	15,904,567

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	*2022*	*2021*
Net profit	431,348,714	506,678,373
Add: Credit/asset impairment losses	1,036,873	27,811,395
Depreciation of fixed assets and investment property	314,038,019	271,154,064
Amortisation of intangible assets	25,766,271	19,914,969
Amortisation of long-term deferred expenses	19,340,746	19,256,179
Amortisation of biological assets	14,911,694	13,721,424
Depreciation of ROU assets	22,131,592	16,773,427
Losses from disposal of fixed assets, intangible assets, and other long-term assets	17,059,699	15,364,993
Financial expenses	25,170,658	26,782,042
Royalty	21,877,171	24,763,872
Investment losses	3,447,794	2,784,997
Decrease/(Increase) in deferred tax assets	17,848,075	(38,969,456)
Decrease in deferred tax liabilities	(537,038)	(218,643)
(Increase)/Decrease in gross inventories	(101,354,740)	143,615,551
Decrease/(Increase) in operating receivables	165,687,398	(187,412,623)
(Dncrease)/Iecrease in operating payables	(108,896,279)	263,362,094
Net cash flows from operating activities	868,876,647	1,125,382,658

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

Item	*2022*	*2021*
Payment of construction in progress and other long-term assets by bank acceptances	40,584,152	60,224,230

c. Change in cash and cash equivalents:

Item	*2022*	*2021*
Cash equivalents at the end of the year	1,612,753,600	1,502,327,029
Less: Cash equivalents at the beginning of the year	1,502,327,029	1,052,665,105
Net increase in cash and cash equivalents	110,426,571	449,661,924

(3) Details of cash and cash equivalents

Item	*2022*	*2021*
Cash at bank and on hand		
Including: Cash on hand	47,954	71,486
Bank deposits available on demand	1,612,705,646	1,502,255,543
Closing balance of cash and cash equivalents	1,612,753,600	1,502,327,029

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	11,568,964	10,500,515	The Company deposits for letters of credit etc.
Account receivable (i)	49,061,015	59,982,807	Short-term borrowings mortgage from Atrio
Fixed assets	313,012,605	303,897,124	R&D Centre mortgage for long-term payables and long-term and short-term borrowings
Intangible assets	201,345,477	169,385,254	R&D Centre mortgage for long-term payables
Total	574,988,061	543,765,700	

(i) As at 31 December 2022, the amount of accounts receivable with restricted ownership is EUR8,080,778, equivalent of RMB 59,982,807which refers to accounts receivable Atrio conducted for factoring from Banco de Sabadell, S.A. Etc. (31 December 2021: EUR6,795,437, equivalent of RMB49,061,015)

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
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
Yantai Changyu Wine Research & Development Centre Co., Ltd. ("R&D Centre") (f)	Yantai, Shandong, China	Yantai, Shandong, China	Manufacturing	RMB805,000,000	88.65	-	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 (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
Yantai Changyu Cultural Tourism Development Co., Ltd ("Culture Development ")	Yantai, Shandong, China	Yantai, Shandong, China	Tourism	RMB10,000,000	100	-	Acquired through establishment or investment
Yantai Changyu Wine Culture Museum Co., Ltd. ("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
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

Name of the Subsidiary	*Principal place of business*	*Registered place*	*Business nature*	*Registered capital*	*Shareholding ratio (%) (or similar equity interest)*		*Acquisition method*
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
Yantai Creighton Catering Company Limited ("Creighton Catering")	Yantai, Shandong, China	Yantai, Shandong, China	Services	RMB1,000,000		100	Acquired through establishment or investment

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

(a) 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 is terminated on 31 December 2022.

(b) 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.

(c) R&D Centre is a joint venture established by the Company and CADF, accounting for 88.65% 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 11.53% of the registered capital.

(2) Material non-wholly owned subsidiaries

Name of the Subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Comprehensive income attributable to non-controlling interests for the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
Xinjiang Tianzhu	40%	3,823,000	-	(40,902,990)
AFIP	8.47%	-	-	(56,409,393)
Golden Icewine Valley	49%	1,663,793	-	(31,655,269)
IWCC	15%	(4,458,010)	1,906,484	(57,264,506)

(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*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
Current assets	33,532,307	22,642,150	251,902,602	249,865,391	15,243,035	24,018,451	221,192,234	196,488,084
Non-current assets	23,267,653	43,852,510	399,165,555	414,851,163	24,918,242	24,450,344	320,233,623	314,756,823
Total assets	56,799,960	66,494,660	651,068,157	664,716,554	40,161,277	48,468,795	541,425,857	511,244,907
Current liabilities	131,477	130,108	22,424,425	27,459,352	8,064,396	12,976,418	140,793,252	130,027,677
Non-current liabilities	5,336,114	5,336,114	3,020,582	-	-	-	11,311,586	8,906,387
Total liabilities	5,467,591	5,466,222	25,445,007	27,459,352	8,064,396	12,976,418	152,104,838	138,934,064
Operating income	-	-	175,992,960	191,463,783	17,040,412	24,236,758	238,351,323	226,856,381
Net (loss)/ profit	(9,557,501)	(3,480,276)	(3,366,711)	2,326,063	(3,395,496)	(6,425,183)	23,561,992	19,716,978
Total comprehensive income	(9,557,501)	(3,480,276)	(3,366,711)	2,326,063	(3,395,496)	(6,425,183)	29,720,066	3,284,057
Cash flows from operating activities	11,772,488	(1,292,713)	8,265,568	(4,754,748)	6,541,363	4,744,413	18,971,851	99,234,532

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 2022, 48.8% of the Group trade receivables are due from top five customers (31 December 2021: 42.8%). There is no collateral or other credit enhancement on the balance of the trade receivables of the Group.

2 Liquidity risk

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

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

Item	*2022 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	396,981,235	-	-	-	396,981,235	389,378,480
Accounts payable	503,323,746	-	-	-	503,323,746	503,323,746
Other payables	372,608,689	-	-	-	372,608,689	372,608,689
Long-term loans (including the portion due within one year)	75,108,083	70,927,517	115,864,799	-	261,900,399	231,124,009
Long-term payables (including the portion due within one year)	22,546,674	22,282,674	20,039,452	-	64,868,800	64,000,000
Lease liability (including the portion due within one year)	22,767,666	22,126,517	33,652,990	68,864,863	147,412,036	128,514,033
Total	1,393,336,093	115,336,708	169,557,241	68,864,863	1,747,094,905	1,688,948,957

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

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	*2022*		*2021*	
	Effective interest rate	*Amounts*	*Effective interest rate*	*Amounts*
Financial assets				
- Cash at bank	2.00% - 2.25%	53,200,000	1.75% - 2.25%	53,200,000
Financial liabilities				
- Short-term loans	0.65% - 6.76%	(155,774,939)	0.35% - 3.35%	(172,066,457)
- Long-term loans (including the portion due within one year)	1.50% - 3.65%	(183,331,680)	0.95% - 3.28%	(193,475,080)
- Long-term payables (including the portion due within one year)	1.20%	(64,000,000)	1.20%	(86,000,000)
- Lease liability (including the portion due within one year)	4.65%	(128,514,033)	4.65%	(116,156,677)
Total		(478,420,652)		(514,498,214)

Variable rate instruments:

Item	*2022*		*2021*	
	Effective interest rate	*Amounts*	*Effective interest rate*	*Amounts*
Financial assets				
- Cash at bank	0.25% - 1.61%	1,598,206,161	0.3% - 1.82%	1,513,824,507
Financial liabilities				
- Short-term loans	1 year LPR 0.005	(200,000,000)	1 year LPR 0.005	(450,000,000)
- Short-term loans	1.81% - 2.54%	(33,603,542)	-	-
- Long-term loans (including the portion due within one year)	-	-	90% of 5 year LPR	(6,250,000)
- Long-term loans (including the portion due within one year)	BBSY+1.10%	(44,781,100)	BBSY+1.10%	(50,842,000)
- Long-term loans (including the portion due within one year)	2.85% - 3.35%	(3,011,228)	-	-
Total		1,316,810,291		1,006,732,507

(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 2022, 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 RMB1,055,235(2021: RMB1,901,595), and net profit by RMB1,055,235 (2021: RMB1,901,595).

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.

	2022		*2021*	
	Balance at foreign currency	*Balance at RMB equivalent*	*Balance at foreign currency*	*Balance at RMB equivalent*
Cash at bank and on hand				
- USD	10,922	76,068	1,984,323	12,640,136
- EUR	67	494	106,216	766,848
- HKD	208	186		
Short-term loans			15,490,000	98,759,593
- USD	13,750,000	95,792,132	15,490,000	98,759,593

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

	Average rate		*Balance sheet date mid-spot rate*	
	2022	*2021*	*2022*	*2021*
USD	6.7573	6.4512	6.9646	6.3757
EUR	7.0985	7.6186	7.4229	7.2197
HKD	0.8583	0.8300	0.8933	0.8176

(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 2022		
USD	3,589,352	3,589,352
EUR	(19)	(19)
HKD	(7)	(7)
Total	3,589,326	3,589,326
31 December 2021		
USD	4,305,973	4,305,973
EUR	(38,342)	(38,342)
Total	4,267,631	4,267,631

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 2022 and 31 December 2021.

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
Yantai Guolong	Subsidiaries of the joint venture
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*	*2022*	*2021*
Shenma Packaging	Product procurement	82,187,388	80,754,599
Zhongya Pharmaceutical	Product procurement	253,410	591,522
Mirefleurs	Product procurement	7,054,664	6,822,330
LIVERSAN	Product procurement	2,870,515	3,269,146
Total		92,365,977	91,437,597

(2) Sales of goods

Related parties	*Nature of transaction*	*2022*	*2021*
Zhongya Pharmaceutical	Sales of goods	5,384,362	3,872,660
WEMISS Shanghai	Sales of goods	2,017,066	5,365,061
Chengdu Yufeng	Sales of goods	614,302	2,677,707
Shenma Packaging	Sales of goods	110,048	287,930
Yantai Guolong	Sales of goods	26,816,648	-
Total		34,942,426	12,203,358

(3) Purchase of fixed assets

Related parties of the Company	*Nature of transaction*	*2022*	*2021*
Shenma Packaging	Purchase of fixed assets	4,245,929	4,101,232
Total		4,245,929	4,101,232

(4) Leases

(a) As the lessor

Name of lessee	*Type of assets leased*	*Lease income recognised in 2022*	*Lease income recognised in 2021*
Shenma Packaging	Offices and plants	1,549,410	1,492,550
Zhongya Pharmaceutical	Offices and plants	590,476	522,936
Total		2,139,886	2,015,486

(b) As the lessee

Name of lessor	*Type of assets leased*	*Lease expense recognised in 2022*	*Lease expense recognised in 2021*
Changyu Group	Office buildings	1,425,735	1,612,118
Changyu Group	Offices and plants	1,275,144	1,394,762
Changyu Group	Offices and plants	3,825,433	4,184,286
Changyu Group	Offices and commercial building	6,145,488	7,057,143
Total		1,425,735	14,248,309

(5) Remuneration of key management personnel

Item	*2022*	*2021*
Remuneration of key management personnel	10,265,674	12,495,933

(6) Other related party transactions

Related parties	*Nature of transaction*	*2022*	*2021*
Changyu Group	Royalty	21,877,171	24,763,872

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 RMB21,877,171 this year.

5 Receivables from and payables to related parties

Receivables from related parties

Item	*Related party*	*2022*		*2021*	
		Book value	*Provision for bad and doubtful debts*	*Book value*	*Provision for bad and doubtful debts*
Accounts receivable	Zhongya Pharmaceutical	2,627,473	8,091	287,788	956
Other current assets	Changyu Group	120,930,641	-	-	-
Other non-current assets	Changyu Group	-	-	144,120,442	-
Other receivables	Shenma Packaging	-	-	341,880	-
Accounts receivable	Yantai Guolong I	2,627,473	8,091	-	-

Payables to related parties

Item	*Related party*	2022	2021
Accounts payable	Zhongya Pharmaceutical	36,600,233	30,184,072
Accounts payable	Zhongya Pharmaceutica	5,365,862	-
Accounts payable	Chengdu Yufeng	143,659	344,464
Accounts payable	Changyu Group	19,434,600	19,434,600
Contract liabilities	Zhongya Pharmaceutica	240	653
Other payables	Shenma Packaging	471,869	-

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	*2022*	*2021*
Long-term assets acquisition commitment	45,698,000	84,963,700
Total	45,698,000	84,963,700

(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	*2022*	*2021*
Within 1 year (inclusive)	-	651,000
Total	-	651,000

2 Contingencies

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

XII. Subsequent events

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

According to the proposal of the Board of Directors on 11 April 2023, 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.

2 Transfer of the non-controlling interests after balance sheet date

On 16 January 2023, the 4th meeting of the 9th Board of Directors of the Company reviewed and approved the Proposal on the Transfer of Equity of Liaoning Changyu Golden Valley Icewine Chateau Co., Ltd.("Icewine Chateau"). On 30 January 2023, the Company signed the Equity Transfer Agreement with Canada Orose Icewine Co., Ltd.("Orose Icewine Company") and Huanren Manchu Autonomous County Orose Chateau Co., Ltd.(Orose Chateau Company)(桓仁满族自治县奥罗丝酒庄有限公司), the Company planned to transfer 25% equity of the Icewine Chateau held by Orose Icewine Company, in the amount of RMB 16,671,800.00, and 24% equity of the Icewine Chateau held by Orose Chateau Company, in the amount of RMB 16,075,000.00.

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 2022, over 82% of revenue, more than 91% of profit and over 91% 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	*2022*	*2021*
Bank acceptance bills	-	9,800,000
Total	-	9,800,000

2 Receivables under financing

Item	*Note*	*2022*	*2021*
Bills receivable	(1)	41,061,417	62,411,636
Total		41,061,417	62,411,636

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

As at 31 December 2022, there was no pledged bills receivable (31 December 2021: Nil).

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

Item	*Amount recognised at year end*
Bank acceptance bills	105,149,583
Total	105,149,583

As at 31 December 2022, derecognised bills endorsed by the Company to other parties which are not yet due at the end of the period is RMB 105,149,583 (31 December 2021: RMB65,893,889). 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 2022*	*31 December 2021*
Dividends receivable	(1)	250,000,000	-
Others	(2)	470,176,320	398,072,976
Total		720,176,320	398,072,976

(1) Dividends receivable

Item	*31 December 2022*	*31 December 2021*
Dividends to subsidiaries	250,000,000	-
Total	250,000,000	-

(2) Others

(a) Others by customer type:

Customer type	*31 December 2022*	*31 December 2021*
Amounts due from subsidiaries	470,128,362	397,998,281
Amounts due from related parties	47,958	74,695
Sub-total	470,176,320-	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,128,362	398,072,976

(b) The ageing analysis is as follows:

Ageing	*2022*	*2021*
Within 1 year (inclusive)	470,071,848	397,936,651
Over 1 year but within 2 years (inclusive)	-	11,853
Over 2 years but within 3 years (inclusive)	104,472	104,472
Over 3 years	-	20,000
Sub-total	470,176,320	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,176,320	398,072,976

The ageing is counted starting from the date.

(c) Movements of provisions for bad and doubtful debts

As at 31 December 2022, no bad and doubtful debt provision was made for other receivables (31 December 2021: Nil).

As at 31 December 2022, the Company has no other receivables written off (31 December 2021: Nil).

(d) Others categorised by nature

Nature of other receivables	*2022*	*2021*
Amounts due from subsidiaries	470,128,362	397,998,281
Others	47,958	74,695
Sub-total	470,176,320	398,072,976
Less: Provision for bad and doubtful debts	-	-
Total	470,128,362	398,072,976

(e) 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	192,349,897	Within 1 year	40.9	-
R&D Centre	Amounts due from subsidiaries	16,085,524	Within 1 year	3.4	-
Digital Marketing	Amounts due from subsidiaries	12,513,258	Within 1 year	2.7	-
Chateau KOYA	Amounts due from subsidiaries	9,455,430	Within 1 year	2.0	-
Chateau Changyu	Amounts due from subsidiaries	7,040,550	Within 1 year	1.5	-
Total		237,444,659		50.5	-

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	*2022*			*2021*		
	Book value	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Investments in subsidiaries	7,703,535,027	-	7,703,535,027	7,593,535,027	-	7,593,535,027
Investments in associates	2,318,351	-	2,318,351	5,886,467	-	5,886,467
Total	7,705,853,378	-	7,705,853,378	7,599,421,494	-	7,599,421,494

(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
Chateau Koya	-	110,000,000	-	110,000,000
Total	7,593,535,027	110,000,000	-	7,703,535,027

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*	*Investment losses recognized under the equity method*	*Balance at the end of the year*
WEMISS Shanghai	2,366,811	-	-	(48,460)	2,318,351
Yantai Santai Real Estate Development Co., Ltd	3,519,656	-	(3,519,656)	-	-
Total	5,886,467	-	(3,519,656)	(48,460)	2,318,351

5 Operating income and operating costs

Item	*2022*		*2021*	
	Income	*Cost*	*Income*	*Cost*
Principal activities	672,635,481	575,896,372	576,706,055	470,719,232
Other operating activities	2,426,940	1,420,479	2,189,747	1,439,506
Total	675,062,421	577,316,851	578,895,802	472,158,738
Including:Revenue from contracts with customers	672,635,481	575,896,372	576,706,055	470,719,232
Rent income	2,426,940	1,420,479	2,189,747	1,439,506

(1) Disaggregation of revenue from contracts with customers:

Type of contract	*2022*	*2021*
By type of goods or services		
- Liquor	672,635,481	576,706,055
By timing of transferring goods or services		
- Revenue recognised at a point in time	672,635,481	576,706,055

6 Investment income

Item	*2022*	*2021*
Income from long-term equity investments accounted for using cost method	738,407,264	867,880,564
Loss from long-term equity investments accounted for using equity method	(48,460)	(357,386)
Loss from long-term equity investments accounted for disposal of long-term equity investment	(1,842,325)	-
Total	736,516,479	867,523,178

7 Transactions with related parties

(1) Product procurement

Related parties	*Nature of transaction*	*2022*	*2021*
Subsidiary of the parent company	Product procurement	154,806,785	117,808,977
Other related parties of the Company	Product procurement	42,578,235	30,002,566
Total		197,385,020	147,811,543

(2) Sales of goods

Related parties	*Nature of transaction*	*2022*	*2021*
Subsidiary of the parent company	Sales of goods	504,080,073	576,708,399
Other related parties of the Company	Sales of goods	2,952,493	3,017,548
Total		507,032,566	579,725,947

(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	Y
Australia Kilikanoon Estate	AUD	17,550,000	13 December 2018	13 December 2023	N

(4) Leases

(a) As the lessor

Name of lessee	*Type of assets leased*	*Lease income recognised in 2022*	*Lease income recognised in 2021*
Other related parties of the Company	Offices and plants	2,139,886	2,015,486
Subsidiary of the parent company	Offices buildings	85,714	85,714
Total		2,225,600	2,101,200

(b) As the lessee

Name of lessor	*Type of assets leased*	*Lease expense recognised in 2022*	*Lease expense recognised in 2021*
Other related parties of the Company	Office buildings	1,275,144	1,394,762
Total	Office buildings	1,275,144	1,394,762

8 Receivables from and payables to related parties

Receivables from related parties

Item	*Related party*	*2022*		*2021*	
		Book value	*Provision for bad and doubtful debts*	*Book value*	*Provision for bad and doubtful debts*
Accounts receivables	Other related parties of the Company	2,301,505	7,805	-	-
Other receivables	Subsidiary of the parent company	720,128,362	-	397,998,281	-
Other non-current assets	Subsidiary of the parent company	1,850,200,000	-	2,023,500,000	-

Payables to related parties

Item	*Related party*	*2022*	*2021*
Accounts payable	Other related parties of the Company	35,944,149	28,014,000
Other payables	Subsidiary of the parent company	421,781,524	362,651,747
Other payables	Other related parties of the Company	471,869	-

XV. Non-recurring profit and loss statement in 2022

Item		*Amount*
(1)	Profit and loss from disposal of non-current assets	(18,902,024)
(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)	33,145,440
(3)	Other non-operating income and expenses besides items above	4,750,614
	Sub-total	18,994,030
(4)	Tax effect	(4,695,173)
(5)	Effect on non-controlling interests after taxation	551,195
	Total	14,850,052

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:

	2022	*2021*
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Extraordinary gains and losses attributable to ordinary shareholders of the Company	14,850,052	27,866,644
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	413,831,359	472,235,962
Weighted average number of ordinary shares outstanding	685,464,000	685,464,000
Basic earnings per share excluding extraordinary gain and loss (RMB/share)	0.60	0.69

(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:

	2022	*2021*
Consolidated net profit attributable to ordinary shareholders of the Company	428,681,411	500,102,606
Weighted average amount of consolidated net assets	10,487,764,058	10,329,718,533
Weighted average return on net assets	4.09%	4.84%

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

	2022	*2021*
Consolidated net assets at the beginning of the year	10,447,884,183	10,267,832,644
Impact of changes in accounting policies	-	(10,582,161)
Effect of consolidated net profit attributable to ordinary shareholders of the Company	219,814,175	232,409,650
Effect of shares repurchased (Note V.36)	(179,934,300)	(159,941,600)
Weighted average amount of consolidated net assets	10,487,764,058	10,329,718,533

(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:

	2022	*2021*
Consolidated net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	413,831,359	472,235,962
Weighted average amount of consolidated net assets (Note)	10,487,764,058	10,329,718,533
Weighted average return on net assets excluding extraordinary gain and loss	3.95%	4.57%