



古井贡酒·年份原浆[®]

Anhui Gujing Distillery Company Limited

Annual Report 2022



April 2023



Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of Anhui Gujing Distillery Company Limited (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

Liang Jinhui, the legal representative, and Zhu Jiafeng, the Deputy Chief Accountant and Board Secretary, hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

Any plans for the future and other forward-looking statements mentioned in this Report shall NOT be considered as absolute promises of the Company to investors. Investors, among others, shall be sufficiently aware of the risk and shall differentiate between plans/forecasts and promises. Again, investors are kindly reminded to pay attention to possible investment risks.

Investors’ attention is kindly directed to the detailed description of possible risks in the Company’s operations in “XI Prospects” under “Part III Management Discussion and Analysis”.

The Board has approved a final dividend plan as follows: based on the Company’s total share capital of 528,600,000 shares, a cash dividend of RMB30.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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



Table of Contents

Part I Important Notes, Table of Contents and Definitions	2
Part II Corporate Information and Key Financial Information	6
Part III Management Discussion and Analysis	11
Part IV Corporate Governance	40
Part V Environmental and Social Responsibility	62
Part VI Significant Events	67
Part VII Share Changes and Shareholder Information	74
Part VIII Preferred Shares	83
Part IX Corporate Bonds	84
Part X Financial Statements	85



Documents Available for Reference

- (I) Financial statements signed and sealed by the Company's legal representative, the Company's Chief Accountant and the head of the Company's financial department (equivalent to financial manager);
- (II) The original copy of the Independent Auditor's Report stamped by the CPA firm as well as signed and stamped by the engagement certified public accountants;
- (III) All originals of the Company's documents and announcements that have been publicly disclosed in the Reporting Period on the media designated by the China Securities Regulatory Commission; and
- (IV) This Report disclosed in other securities markets.



Definitions

Term	Definition
The “Company”, “Gu Jing” or “we”	Anhui Gujing Distillery Company Limited inclusive of its consolidated subsidiaries, except where the context otherwise requires
Gujing Sales	Bozhou Gujing Sales Co., Ltd.
The Company as the parent	Anhui Gujing Distillery Company Limited exclusive of subsidiaries, except where the context otherwise requires
Gujing Group	Anhui Gujing Group Co., Ltd.
Yellow Crane Tower	Yellow Crane Tower Distillery Co., Ltd.
Mingguang	Anhui Mingguang Distillery Co., Ltd.
Longrui Glass	Anhui Longrui Glass Co., Ltd.

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	Gujing Distillery, Gujing Distillery-B	Stock code	000596, 200596
Changed stock name (if any)			
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	安徽古井贡酒股份有限公司		
Abbr.	古井		
Company name in English (if any)	ANHUI GUJING DISTILLERY COMPANY LIMITED		
Abbr. (if any)	GU JING		
Legal representative	Liang Jinhui		
Registered address	Gujing Town, Bozhou City, Anhui Province, P.R.China		
Zip code	236820		
Change of registered address	N/A		
Office address	Gujing Industrial Park, Gujing Town, Bozhou City, Anhui Province, P.R.China		
Zip code	236820		
Company website	http://www.gujing.com		
Email address	gjzqb@gujing.com.cn		

II Contact Information

	Board Secretary	Securities Representative
Name	Zhu Jiafeng	Mei Jia
Address	Gujing Town, Bozhou City, Anhui Province, P.R.China	Gujing Town, Bozhou City, Anhui Province, P.R.China
Tel.	(0558) 5712231	(0558) 5710057
Fax	(0558) 5710099	(0558) 5710099
Email address	gjzqb@gujing.com.cn	gjzqb@gujing.com.cn

III Media for Information Disclosure and Place where this Report Is Lodged

Website of the stock exchange where this Report is	The Shenzhen Stock Exchange (http://www.szse.cn)
--	---

disclosed	
Media and website where this Report is disclosed	China Securities Journal, Shanghai Securities News, Ta Kung Pao (HK) and http://www.cninfo.com.cn
Place where this Report is lodged	The Board Secretary's Office

IV Change to Company Registered Information

Unified social credit code	913400001519400083
Change to principal activity of the Company since going public (if any)	No change
Every change of controlling shareholder since incorporation (if any)	No change

V Other Information

The independent audit firm hired by the Company:

Name	RSM China
Office address	Suite 901-22 to 901-26, Wai Jing Mao Building (Tower 1), No. 22 Fuchengmen Wai Street, Xicheng District, Beijing, China
Accountants writing signatures	Zhang Liping, Han Songliang, and Yang Fan

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

Sponsor	Office address	Representatives	Supervision period
China International Capital Corporation Limited	27-28/F, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	Fang Lei, and Chen Jingjing	2021.7.22-2022.12.31

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

Financial advisor	Office address	Representatives	Supervision period
China International Capital Corporation Limited	27-28/F, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	Fang Lei, and Chen Jingjing	2021.7.22-2022.12.31

VI Key Financial Information

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

Yes No

	2022	2021	2022-over-2021	2020
--	------	------	----------------	------

			change	
Operating revenue (RMB)	16,713,234,153.52	13,269,826,266.04	25.95%	10,292,064,534.41
Net profit attributable to the listed company's shareholders (RMB)	3,143,144,732.08	2,297,894,413.25	36.78%	1,854,576,249.29
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	3,066,543,993.35	2,186,239,468.68	40.27%	1,773,011,307.05
Net cash generated from/used in operating activities (RMB)	3,107,914,579.48	5,254,308,127.79	-40.85%	3,624,543,525.53
Basic earnings per share (RMB/share)	5.95	4.45	33.71%	3.68
Diluted earnings per share (RMB/share)	5.95	4.45	33.71%	3.68
Weighted average return on equity (%)	17.93%	21.25%	-3.32%	19.53%
	31 December 2022	31 December 2021	Change of 31 December 2022 over 31 December 2021	31 December 2020
Total assets (RMB)	29,789,822,298.65	25,418,086,447.80	17.20%	15,186,625,708.79
Equity attributable to the listed company's shareholders (RMB)	18,520,757,973.52	16,537,389,443.64	11.99%	10,043,288,013.73

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative for the last three accounting years, and the latest independent auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate by tick mark whether the lower of the net profit attributable to the listed company's shareholders before and after exceptional gains and losses was negative.

Yes No

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable Not applicable

No difference for the Reporting Period.

3. Reasons for Accounting Data Differences Above

Applicable Not applicable

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	5,274,316,915.03	3,727,689,008.39	3,762,643,542.44	3,948,584,687.66
Net profit attributable to the listed company's shareholders	1,098,725,631.83	820,095,871.92	703,868,180.94	520,455,047.39
Net profit attributable to the listed company's shareholders before exceptional gains and losses	1,089,643,863.39	799,383,187.67	689,133,927.04	488,383,015.25
Net cash generated from/used in operating activities	2,776,260,991.07	1,414,985,808.72	871,486,637.93	-1,954,818,858.24

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

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2022	2021	2020	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-4,666,425.09	-5,976,856.98	-3,692,640.09	
Government subsidies charged to current profit or loss (exclusive of government subsidies consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	46,721,259.52	55,274,502.42	48,617,479.37	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment	43,874,800.64	34,792,433.45	21,490,043.05	

income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)				
Reversed portion of impairment allowance for receivables which are tested individually for impairment	423,337.78	1,949,809.53	43,554.94	
Non-operating income and expense other than the above	23,314,293.08	77,025,619.76	44,100,616.61	
Less: Income tax effects	27,082,435.88	40,243,159.73	27,033,395.22	
Non-controlling interests effects (net of tax)	5,984,091.32	11,167,403.88	1,960,716.42	
Total	76,600,738.73	111,654,944.57	81,564,942.24	--

Particulars about other items that meet the definition of exceptional gain/loss:

Applicable Not applicable

No such cases for the Reporting Period.

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item listed in the Explanatory Announcement No.

1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Industry Overview for the Reporting Period

(I) Principal Activity of the Company

The Company primarily produces and markets baijiu. According to the Industry Categorization Guide for Listed Companies (Revised in 2012) issued by the CSRC, baijiu making belongs to the “liquor, beverage and refined tea making industry” (C15). The Company’s principal operations remained unchanged in the Reporting Period.

(II) Status of the Industry and Position of the Company in the Industry

1. Status of the Baijiu Industry

Since the beginning of the 21st century, China's baijiu industry has experienced three development stages. Before 2012, with rapid economic growth, the income of urban and rural residents rose fast, and the demand for baijiu continued to increase, while production and sales of baijiu continuously expanded at a fast pace. As a result, the baijiu industry witnessed booming supply and demand. During that period, national baijiu brands and local regional renowned baijiu enterprises achieved rapid development. In the context of the rise in both the demand and price of baijiu, the sales income and total profits of baijiu enterprises increased quickly.

From the second half of 2012 to 2016, China's economy once again entered a period of adjustment, as the Chinese government introduced a string of policies to restrict the spending on official overseas visits, official vehicles and official hospitality, such as the "Eight-point Decision" and "Six Prohibitions", which include restrictions on the consumption of high-end alcohol with public funds. Consumption scenarios such as commercial consumption and government consumption were limited, leading to a drop in consumer demand in a short time. Moreover, baijiu prices were under huge pressure. China's baijiu industry entered a period of profound adjustment. After 2012, both the output growth and income growth of China's baijiu industry slowed down.

The baijiu industry began to recover in the second half of 2016, with a rise in consumption demand by end-users, propelling the growth of the overall income and profits of the industry. Since 2017, the overall demand and price of baijiu have increased, and the recovery of mid- and high-end baijiu has picked up. In the future, benefiting from the consumption upgrade and the change of consumption concept, the growth of sub-high-end baijiu will be the key driver for the development of the baijiu industry. The consumption upgrade is the major driving force for the development of the baijiu industry. Baijiu enterprises need to fully grasp the great opportunities from the extensive consumption upgrade and strive to better meet the consumption needs of the market through quality improvement, market segmentation and product innovation and other means, so as to advance the transformation and upgrade of the product structure.

In 2022, the total output of alcoholic beverage made and brewed by domestic enterprises above the designated size in the alcoholic beverage industry reached 54,275,000 kilolitres, increasing by 0.8% year on year. Specifically, the output of baijiu by domestic enterprises above the designated size totaled 6,712,000 kilolitres, decreasing by 5.6% year on year. With the acceleration of consumption upgrading, a trend of consumption upgrading for Chinese residents that advocates “drinking less but better liquor” gradually appears. During the period of the 14th Five-year Plan, the consumption growth of sub-high-end baijiu will bring more fierce competition in the sector of high-end baijiu.

2. Position of the Company in the Industry

China has a long history of baijiu. There are a large number of baijiu production enterprises in the country, but the regional distribution of baijiu consumers is particularly evident. The baijiu industry is characterized by full competition, with a high degree of marketization. The market competition is fierce, and the industry adjustments are constantly deepening. In the national market, the competitive edges of the enterprises come from their brand influence, product style and marketing & operation models. In a single regional market, the competitive strengths of the enterprises depend on their brand influence in the region, the recognition of the

companies by regional consumers and comprehensive marketing capacity.

As one of China's traditional top eight liquor brands, the Company is the first listed baijiu company with both A and B stocks. It is located in Bozhou City, Anhui Province in China, the hometown of historic figures Cao Cao and Hua Tuo, as well as one of the world's top 10 liquor-producing areas. No changes have occurred to the main business of the Company in the Reporting Period. As the main product of the Company, the Gujing spirit originated as a "JiuYunChun Spirit", together with its making secrets, being presented as a hometown specialty by Cao Cao, a famous warlord in China's history, to Emperor Han Xiandi (name: Liu Xie) in A.D. 196, and was continually presented to the royal house since then. With crystalline liquid, rich aroma, a fine flavor and a lingering aftertaste, the Gujing spirit has helped the Company win four national baijiu golden awards, a golden award at the 13th SIAL Paris, the title of China's "Geographical Indication Product", the recognition as a "Key Cultural Relics Site under the State Protection", the recognition with a "National Intangible Cultural Heritage Protection Project", a Quality Award from the Anhui provincial government, a title of "National Quality Benchmark", among other honors. In 2022, "Gujingong" was ranked fourth in China's baijiu industry with a brand value of RMB227.027 billion in the 14th "Hua Zun Cup" China liquor brand value contest.

In April 2016, Gujing Distillery signed a strategic cooperation agreement with Huanghelou Liquor Co., Ltd., opening a new era of cooperation in China's famous liquor industry. Yellow Crane Tower Baijiu is the only famous Chinese liquor in Hubei. Its unique style is "soft, mellow, elegant and cool, and has a long lingering fragrance". It won the two China gold medal in baijiu appreciation in 1984 and 1989. At present, Huanghelou liquor industry has three bases: Wuhan, Xianning and Suizhou. Among them, Huanghelou Liquor Culture Expo Park in Wuhan base has been approved as national AAA scenic spot, and Huanghelou forest wine town in Xianning base has been approved as national AAAA scenic spot.

In January 2021, Gujing Distillery and Mingguang signed a strategic cooperation agreement. The unique mung bean flavor adds to the famous liquor family of Gu Jing. The primary products of Mingguang Distillery include Mingguang Jianiang, Mingguang Daqu, Mingguang Youye, Mingguang Tequ, and 53% vol Mingluye. In December 2021, the Old Mingguang Brewing Technique was selected for the sixth batch of provincial intangible cultural heritage list.

II Principal Activity of the Company in the Reporting Period

The Company is subject to the Guideline No. 14 of the Shenzhen Stock Exchange on Information Disclosure by Industry—for Listed Companies Engaging in Food and Liquor & Wine Production.

Main sales model

The Company's key sales model is dealer model. Under the dealer model, the Company will select one or more dealers for sales of a product brand (or product sub-brand) according to the market capacity.

Distribution model:

Applicable Not applicable

1. Operating Performance by Distribution Channel and Product Category

Unit: RMB

By	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
Channel						
Online	610,385,143.59	140,118,759.04	77.04%	14.88%	14.90%	-0.01%
Offline	16,102,849,009.93	3,676,203,285.97	77.17%	26.41%	15.53%	2.15%

Total	16,713,234,153.52	3,816,322,045.01	77.17%	25.95%	15.50%	2.07%
By	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
Product series						
Original Vintage	12,106,975,948.62	1,874,797,085.68	84.51%	30.07%	19.92%	1.31%
Gujingong Liquor	1,873,975,744.19	754,796,177.30	59.72%	16.45%	13.33%	1.11%
Yellow Crane Tower	1,262,964,082.84	315,189,592.71	75.04%	11.38%	11.63%	-0.06%
Total	15,243,915,775.65	2,944,782,855.69	80.68%	26.50%	17.24%	1.52%

2. Number of Distributors by Geographical Segment

Segment	Increase	Decrease	Ending number
North China	286	159	1,132
South China	154	76	530
Central China	690	507	2,721
International	4	0	16
Total	1,134	742	4,399

Proportion of store sales terminal exceeds 10%

Applicable Not applicable

Online direct sales

Applicable Not applicable

The major product varieties sold online are Original Vintage Series, and Gujingong Liquor Series, among others. The main online sales platforms are Gujing Distillery platform, Tmall, JD.com, and Suning.com.

Any over 30% YoY movements in the selling price of main products contributing over 10% of current total operating revenue

Applicable Not applicable

Model and contents of purchase

Model of purchase: The Company primarily adopts the bidding and strategic cooperation models. It also adopts the base planting model in order to ensure the quality of some raw materials.

Contents of purchase

Purchase contents		Purchase model	Amount (RMB'0,000)
1	Raw materials	Strategic purchasing	79,853.37
		Tendering purchasing	145,714.80
2	Packing materials	Tendering purchasing	287,066.19
Total			512,634.36

The proportion of raw materials purchased from cooperations or farmers to total purchase amount exceeds 30%

Applicable Not applicable

Any over 30% YoY movements in prices of main purchased raw materials

Applicable Not applicable

Main production model

The Company's existing production model is sales-based production. Specifically, the Logistics Control Center is responsible for coordinating the implementation of production plans, release of material production plans, and delivery and tracking of products, and prepares balanced production plans on a quarterly basis according to the product inventory. The logistics distribution system is coordinated according to the production schedule and inventory with a view to ensuring timely delivery of products.

Commissioned production

Applicable Not applicable

Breakdown of cost of sales

Item	2022		2021		Change
	Cost of sales (RMB)	As % of total cost of sales	Cost of sales (RMB)	As % of total cost of sales	
Direct materials	2,740,292,507.27	71.80%	2,321,320,105.47	70.26%	18.05%
Direct labor cost	332,141,904.07	8.70%	285,205,229.63	8.63%	16.46%
Manufacturing expenses	224,128,683.40	5.87%	210,507,603.20	6.37%	6.47%
Fuels	96,765,210.22	2.54%	91,709,296.08	2.78%	5.51%
Total	3,393,328,304.96	88.91%	2,908,742,234.38	88.04%	16.66%

Output and inventory

1. Output, sales volume and inventory of main products for the Reporting Period and respective YoY changes thereof

Unit: ton

Main product	Output	Sales volume	inventory	YoY changes of output	YoY changes of sales volume	YoY changes of inventory
Original Vintage Series	63,415.45	52,622.84	24,602.26	25.60%	21.77%	78.15%
Gujinggong Liquor Series	36,522.02	30,845.44	8,551.86	25.65%	9.11%	197.43%
Yellow Crane Tower Liquor Series	9,833.21	9,654.56	960.69	17.76%	5.13%	22.84%
Other series	23,615.68	21,571.37	4,196.00	7.14%	5.81%	95.01%

2. Ending inventory of finished liquor and semi-product

Category	Ending quantity (ton)
Finished liquor	38,310.81
Semi-product (including base liquor)	191,550.88

3. Capacity

Unit: ton

Main product	Designed capacity	Actual capacity	Capacity in progress
Finished liquor	115,000	133,386	130,000

III Core Competitiveness Analysis

No significant changes occurred to the Company's core competitiveness in the Reporting Period.

IV Analysis of Core Businesses

1. Overview

2022 was an extraordinary year, as well as a particularly difficult year. In the face of a complex external environment and increasingly fierce competition in the industry, the Company continued to follow the guidance of Mr. Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implemented the guiding principles of the various sessions of the 19th CPC Central Committee and the 20th CPC National Congress, as well as the guiding principles of the provincial and municipal Party congresses, implemented the new concept for development, centered on the annual objectives of the Company, and adhered to long-term perspective mindset, the concept of excellence, and the awareness of high-quality products. The Company strengthened its foundations, improved development quality and operational efficiency, and sought faster growth in stability. As a result, it has successfully accomplished various objectives and tasks.

For 2022, the Company recorded operating revenue of RMB16.713 billion, up 25.95% compared to the prior year; a net profit attributable to the Company as the parent of RMB3.143 billion, increasing 36.78% from the year earlier; and earnings per share of RMB5.95, 33.71% higher than last year. In the 14th "Hua Zun Cup" China liquor brand value contest, the brand value of "Gujingong" reached a record high of RMB227.027 billion.

The overall operating performance of the Company in the Reporting Period:

(I) The Company strengthened market development and promoted brand influence

With adherence to the nationwide, sub-high-end, and "Gu 20+" development strategy, the Company adopted the implementation route of "position occupation, market consolidation and customer acquisition" to accelerate its advancement toward the whole country and expansion in markets outside the base province, as well as to continuously improve its product structure. Moreover, with adherence to the communication strategy of "striving for influential brands, spiking hard from a high position and concentrating resources", the Company promoted brand coordination and communication innovation, so that its brand influence increased gradually.

(II) The Company sought higher "quality" of baijiu products

The Company improved its expression system of the quality of baijiu and issued "Gujingong Liquor- Original Vintage" Quality Control Outline. As the Company officially put the first "transparent factory" in the industry into operation, its development regarding the "enterprise-university-research-management-user integration" was deepened. By continuously optimizing liquor-making processes, the Company comprehensively implemented the standardized production of liquor.

(III) The Company consolidated the foundations for quality with technology

By comprehensively implementing the farming of unprocessed grains in the Company's unprocessed grain base, the Company provided a firm guarantee for "quality liquor-making". Furthermore, by completing the implementation of the new national standard for baijiu with high quality and efficiency, stricter management was comprehensively conducted throughout the Company and the Company undertook its entity responsibilities for food security more thoroughly. Moreover, the Company continued to explore new ideas of how to process the by-products of liquor-making. As a result, the Company owned nine invention patents and 62 authorized

patents for utility models. Additionally, multiple technological innovation results of the Company reached the international or domestic leading level and were converted into applications by the Company.

(IV) The Company continued to promote digital development based on the business-oriented approach

The Company comprehensively initiated digital transformation, as its informatized framework was completed, the state of being an isolated information island was altered and its business processes was optimized. Meanwhile, the Company centred on smart manufacturing and green liquor making, set up an Internet platform for the baijiu industry, built a lighthouse factory, and promoted the digital transformation of Gujing to a new level. The Company also made efforts to develop scenario-based applications, so as to empower business and achieve automated lean management. Moreover, the Company made rapid progress in the dual-platform development of the Industrial Internet of Things, namely the procurement and logistics platform, so as to provide an open and shared centralized procurement platform for downstream enterprises in the industry chain and contribute to the local economic development. As a result, the Company's digital practice was successfully included in the Demonstration List of Pilot Practices of Integrated Development in the Next-generational Information Technology and Manufacturing Industry and won the 2022 Dingge Award.

(V) The Company accelerated transformation and upgrading while continuously optimizing business management

The Company relied on law-based measures to promote modern business management. By continuously enhancing internal risk control, the Company strengthened compliance management. Meanwhile, the Company implemented the three-year action plan for the reform of state-owned enterprises to promote the innovation of mechanisms and systems. Moreover, by implementing the mechanism of open post competition for front-line and middle-level managers, the Company extensively activated its talent vitality. Additionally, as its internal control system was further improved, the objective of "four zeros" in production safety was achieved.

(VI) The Company conducted more in-depth and practical cultural development by unwaveringly following the guidance of Party building

The Company thoroughly conducted learning and publicity of the spirit of the 20th National Congress of the CPC, comprehensively implemented the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and carried out regular learning of the Party history. The Company also continued to deepen conduct improvement. Meanwhile, the Company promoted ideological management in accordance with the relevant requirements, formulated a grid-based pattern of ideological publicity work and promoted the in-depth integration of Party building and production & operation.

(VII) In the Reporting Period, the Company was still under pressure and had deficiencies as follows.

- (1) The brand-based driving effect was not as strong as those of first-tier reputed liquor brands.
- (2) The internal management system of the Company was not excellent, the mechanism was not vigorous, and its internal power was yet to be stimulated.
- (3) Daring innovation was required for aspects such as organizational incentives and talent incentives.

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2022		2021		Change
	Operating revenue	As % of total operating revenue	Operating revenue	As % of total operating revenue	
Total	16,713,234,153.52	100%	13,269,826,266.04	100%	25.95%
By operating division					

Manufacturing	16,713,234,153.52	100.00%	13,269,826,266.04	100.00%	25.95%
By product category					
Baijiu	16,167,709,250.64	96.74%	12,760,915,418.70	96.16%	26.70%
Hotel services	57,506,783.34	0.34%	75,349,826.75	0.57%	-23.68%
Other	488,018,119.54	2.92%	433,561,020.59	3.27%	12.56%
By operating segment					
North China	1,325,791,564.93	7.93%	1,070,574,558.72	8.07%	23.84%
Central China	14,354,624,988.86	85.89%	11,311,204,419.40	85.23%	26.91%
South China	1,011,003,651.35	6.05%	877,937,089.22	6.62%	15.16%
Overseas	21,813,948.38	0.13%	10,110,198.70	0.08%	115.76%
By sales model					
Online	610,385,143.59	3.65%	531,343,420.84	4.00%	14.88%
Offline	16,102,849,009.93	96.35%	12,738,482,845.20	96.00%	26.41%

(2) Operating Division, Product Category, Operating Segment or Sales Model Contributing over 10% of Operating Revenue or Operating Profit

Applicable Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
By operating division						
Manufacturing	16,713,234,153.52	3,816,322,045.01	77.17%	25.95%	15.50%	2.07%
By product category						
Baijiu	16,167,709,250.64	3,393,328,304.96	79.01%	26.70%	16.66%	1.81%
Hotel services	57,506,783.34	33,804,865.88	41.22%	-23.68%	-18.22%	-3.93%
Other	488,018,119.54	389,188,874.17	20.25%	12.56%	9.94%	1.90%
By operating segment						
North China	1,325,791,564.93	300,023,290.91	77.37%	23.84%	11.25%	2.56%
Central China	14,354,624,988.86	3,305,285,716.04	76.97%	26.91%	16.52%	2.05%
South China	1,011,003,651.35	203,868,748.58	79.84%	15.16%	4.59%	2.04%
Overseas	21,813,948.38	7,144,289.48	67.25%	115.76%	159.65%	-5.54%
By sales model						
Online	610,385,143.59	140,118,759.04	77.04%	14.88%	14.90%	-0.01%
Offline	16,102,849,009.93	3,676,203,285.97	77.17%	26.41%	15.53%	2.15%

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable Not applicable

(3) Whether Revenue from Physical Sales is Higher than Service Revenue

Yes No

Operating division	Item	Unit	2022	2021	Change
Baijiu brewage	Sales volume	Ton	114,694.21	101,054.70	13.50%
	Output	Ton	133,386.36	109,947.76	21.32%
	Inventory	Ton	38,310.81	19,618.66	95.28%

Any over 30% YoY movements in the data above and why:

Applicable Not applicable

Inventory increased 95.28% compared to 2021, primarily driven by the increased inventories prepared for the Spring Festival.

(4) Execution Progress of Major Signed Sales and Purchase Contracts in the Reporting Period

Applicable Not applicable

(5) Breakdown of Cost of Sales

By operating division

Unit: RMB

Operating division	Item	2022		2021		Change
		Cost of sales	As % of total cost of sales	Cost of sales	As % of total cost of sales	
Food manufacturing	Direct materials	2,740,292,507.27	71.80%	2,321,320,105.47	70.26%	18.05%
Food manufacturing	Direct labor cost	332,141,904.07	8.70%	285,205,229.63	8.63%	16.46%
Food manufacturing	Manufacturing expenses	224,128,683.40	5.87%	210,507,603.20	6.37%	6.47%
Food manufacturing	Fuels	96,765,210.22	2.54%	91,709,296.08	2.78%	5.51%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Yes No

Compared with the prior year, the following subsidiaries were added to the consolidated financial statements of the Reporting Period:

Anhui Gujingong Liquor Original Vintage Theme Hotel Management Co., Ltd., Anhui Anjie Technology Co., Ltd., Huanggang Junya Trading Co., Ltd., Anhui Gujing Health Technology Co., Ltd., Anhui Maiqi Biotechnology Co., Ltd., Anhui Yangshengtianxia Brand Operation Co., Ltd., and Hainan Yangshengtianxia Biotechnology Development Co., Ltd.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

Applicable Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	2,551,855,022.17
Total sales to top five customers as % of total sales of the Reporting Period (%)	15.27%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue
1	Distributor A	784,771,005.75	4.70%
2	Distributor B	777,903,397.06	4.65%
3	Distributor C	572,031,493.11	3.42%
4	Distributor D	220,161,445.23	1.32%
5	Distributor E	196,987,681.02	1.18%
Total	--	2,551,855,022.17	15.27%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	1,206,738,614.42
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	23.54%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases
1	Supplier A	319,640,970.89	6.24%
2	Supplier B	286,628,802.15	5.59%
3	Supplier C	262,643,832.88	5.12%
4	Supplier D	181,345,279.52	3.54%
5	Supplier E	156,479,728.98	3.05%

Total	--	1,206,738,614.42	23.54%
-------	----	------------------	--------

Other information about major suppliers:

Applicable Not applicable

3. Expense

Unit: RMB

	2022	2021	Change	Reason for any significant change
Selling expense	4,668,185,055.13	4,008,075,483.08	16.47%	
Administrative expense	1,166,780,389.23	1,022,181,419.74	14.15%	
Finance costs	-216,299,053.07	-204,055,657.06	-6.00%	
R&D expense	56,667,203.01	51,449,475.36	10.14%	

The Company is subject to the Guideline No. 14 of the Shenzhen Stock Exchange on Information Disclosure by Industry—for Listed Companies Engaging in Food and Liquor & Wine Production.

Breakdown of selling expense:

Unit: RMB

Item	2022	2021	Change	Reason
Employment benefits	938,740,215.88	863,583,183.40	8.70%	
Travel fees	169,521,676.66	161,091,812.25	5.23%	
Advertisement fees	995,196,089.71	900,546,437.33	10.51%	
Comprehensive promotion costs	1,814,692,295.39	1,268,396,513.56	43.07%	More sales promotion and marketing activities
Service fees	638,147,336.90	705,368,563.00	-9.53%	
Others	111,887,440.59	109,088,973.54	2.57%	
Total	4,668,185,055.13	4,008,075,483.08	16.47%	

Details about advertisement

No.	Main way	Amount (RMB*0,000)
1	TV	51,207.05
2	Offline	32,446.36
3	Online	15,866.20
Total		99,519.61

4. R&D Investments

Applicable Not applicable

Names of main	Project objectives	Project progress	Objectives to be achieved	Expected impact on the future
---------------	--------------------	------------------	---------------------------	-------------------------------

R&D projects				development of the Company
Research of process and experiments on original grain for liquor distillation	Aiming at different types of raw materials, the process and experiments of liquor making are conducted to provide the Company with data support for the selection of original grain for liquor-making.	Promoted and applied.	The process of liquor-making with different types of original grain is explored to expand the scope of using original grain.	The experimental research on liquor making with different types of original grain will play an important role in optimized selection of original grain, and improvement of quality of original liquor.
Research on the process of making compound fragrant baijiu	The process of producing compound fragrant baijiu is explored to prepare for the development of new products and the design of liquor body of the Company.	The expanded group test has been conducted.	The Company aims to produce high-quality flavouring liquor with unique flavour to prepare for the development of its new products and the design of liquor body.	By exploring the process of making compound fragrant baijiu, the Company is expected to produce high-quality flavouring liquor with unique flavour, further enrich the product system of Gujingong Liquor, and strengthen its market competitiveness.
Technology of producing the multi-grain fermentation starter and research on the liquor-making test based on the starter	The impact of multi-grain fermentation starters on the quality of raw liquor is explored to provide technological support for Gujing's production of fermentation starters and improvement of crude liquor.	The project has been concluded.	The Company aims to explore the impact of multi-grain fermentation starters on the quality of crude liquor to provide Gujing with different styles of base liquor.	This project is expected to enrich the product system of Gujingong liquor, provide different styles of baijiu products and improve the market share of Gujing's products.
Research of process and experiments for making strongly fragrant baijiu	The experiments systematically optimize the production process of making strongly fragrant liquor, improve the sensory quality of Gujingong liquor, making the product No. 1 in China in terms of strongly fragrant baijiu.	The process and experiments have been carried out for many times, and part of the experimental achievements have been promoted and applied.	Theoretically and practically, the various parameters of the strongly fragrant baijiu are revealed to be scientific and reasonable, which provides more scientific support for process execution.	The quality of Gujingong liquor will be steadily improved to maintain the continuously improving quality of the brand.
Experimental study on the method of collecting scums floated in liquid in a micro-recirculation way	The taste and quality of crude liquor is improved to enhance the overall quality of liquor samples.	Part of the achievements of the project have been promoted.	The quality of the crude liquor on the high level of a liquor pit is improved	The taste of liquor body is enriched to provide the Company's improvement of the quality of crude liquor with an exploration on process optimization.
Research on the mechanism of the gelatinization of unprocessed grains in liquor-making	This project is aimed at reducing the duration of gelatinization and the steam consumption in production without affecting the quality of the produced crude liquor.	The project has been concluded and its application has been popularized.	The Company aims to reduce the duration of gelatinization and the steam consumption in production without affecting the quality of the produced crude liquor, so as to shorten the production time and improve production efficiency.	It is expected to reduce the consumption of energy and other resources, the time and efficiency of production, as well as the operating cost of the Company.
Research on the	This project is aimed at	The nature of the	The Company aims to	The analysis of the unique

scientific theoretical system of the making of “Gujingong Liquor- Original Vintage”	formulating a scientific theoretical system of the making of Original Vintage and analysing the unique features of the Original Vintage from a scientific perspective.	contribution of anaerobic bacteria in the fermentation pit mud to the taste of baijiu has been systematically analysed and a technological assessment system for the biological functions of Original Vintage of different ages in the intervention in liquor-making has been formulated.	establish an assessment system for the biological functions of Original Vintage and eventually formulate a scientific theoretical system of the making of Original Vintage.	features of the Original Vintage from a scientific perspective is expected to be conducted to facilitate the Company’s product upgrading.
Research on the integrated utilization of the by-products of the solid fermentation of strong flavour baijiu	This project is aimed at separating organic substances from the by-products and converting them into high-value products, so as to create benefits for the Company and reduce the cost of waste treatment.	The production line for the pilot test has been constructed and the contract of equipment purchases has been signed and approved.	The Company aims to complete the development of one or two resource products.	This project is expected to transform by-products into resources, so as to not only create benefits for the Company, but also enable energy conservation and emission reduction by building green factories.
Research of the production process of high-temperature Qu liquor	The production process of high-temperature Qu liquor is standardized to form standard operation documents.	Concluded and applied.	The parameters of the production process of high-temperature Qu liquor are determined, the quality of the liquor is improved, and the richness of original liquor is increased.	Standardized documents for operation and process will be provided for the Company to improve the production quality of high-temperature Qu liquor, and to stabilize the quality of the liquor.
Technology of producing daqu (dried bricks of fermentation starters) for Fen-flavour liquor and research on the liquor-making test based on the starter	This project is aimed at exploring the impact of daqu for Fen-flavour liquor on the quality of crude liquor based on the quality of the daqu and the quality of the crude liquor brewed with the daqu, so as to provide technological support for the improvement of the quality of Fen-flavour liquor.	The data analysis and summary for the three arrays of the test on daqu for Fen-flavour liquor has been completed.	The Company aims to explore the impact of daqu for Fen-flavour liquor on the quality of crude liquor based on the quality of the daqu and the quality of the crude liquor brewed with the daqu.	This project is expected to improve the Company’s product quality and provide the Company with different styles of baijiu products that can satisfy different consumer groups.

Details about R&D personnel:

	2022	2021	Change
Number of R&D personnel	1,057	978	8.08%
R&D personnel as % of total employees	9.35%	9.10%	0.25%
Educational background of R&D personnel	—	—	—
Bachelor’s degree	191	211	-9.48%
Master’s degree	47	41	14.63%

Other	819	726	12.81%
Age structure of R&D personnel	—	—	—
Below 30	155	164	-5.49%
30~40	384	321	19.63%
Over 40	518	493	5.07%

Details about R&D investments:

	2022	2021	Change
R&D investments (RMB)	288,639,442.89	300,602,964.92	-3.98%
R&D investments as % of operating revenue	1.73%	2.27%	-0.54%
Capitalized R&D investments (RMB)	0.00	0.00	0.00%
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	0.00%

Reasons for any significant change to the composition of R&D personnel and the impact:

Applicable Not applicable

Reasons for any significant YoY change in the percentage of R&D investments in operating revenue:

Applicable Not applicable

Reasons for any sharp variation in the percentage of capitalized R&D investments and rationale:

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2022	2021	Change
Subtotal of cash generated from operating activities	18,629,603,955.66	16,698,641,516.83	11.56%
Subtotal of cash used in operating activities	15,521,689,376.18	11,444,333,389.04	35.63%
Net cash generated from/used in operating activities	3,107,914,579.48	5,254,308,127.79	-40.85%
Subtotal of cash generated from investing activities	8,483,831,118.31	721,528,559.15	1,075.81%
Subtotal of cash used in investing activities	3,215,119,847.70	9,582,979,679.33	-66.45%
Net cash generated from/used in investing activities	5,268,711,270.61	-8,861,451,120.18	159.46%
Subtotal of cash generated from financing activities	75,900,000.00	5,165,337,169.81	-98.53%
Subtotal of cash used in financing activities	1,404,702,593.47	1,137,547,692.56	23.49%

Net cash generated from/used in financing activities	-1,328,802,593.47	4,027,789,477.25	-132.99%
Net increase in cash and cash equivalents	7,047,823,256.62	420,646,484.86	1,575.47%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

(1) Net cash generated from operating activities stood at RMB3,107,914,579.48 in the Reporting Period, down 40.85% year-on-year, primarily driven by the increased taxes and levies paid.

(2) Net increase in cash and cash equivalents stood at RMB7,047,823,256.62 in the Reporting Period, up 1,575.47% year-on-year, primarily driven by the disinvestment in wealth management products upon maturity and the decreased purchase of wealth management products in the current period.

Reasons for any big difference between the net operating cash flow and the net profit for this Reporting Period

Applicable Not applicable

V Analysis of Non-Core Businesses

Applicable Not applicable

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2022		1 January 2022		Change in percentage	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	13,772,561,141.30	46.23%	11,924,922,771.76	46.92%	-0.69%	
Accounts receivable	62,688,668.94	0.21%	89,005,804.17	0.35%	-0.14%	
Inventories	6,058,106,090.88	20.34%	4,663,456,672.30	18.35%	1.99%	
Investment property	13,396,881.96	0.04%	4,075,801.06	0.02%	0.02%	
Long-term equity investments	10,154,235.98	0.03%	5,312,600.78	0.02%	0.01%	
Fixed assets	2,741,844,586.30	9.20%	1,984,063,975.87	7.81%	1.39%	
Construction in progress	2,454,703,251.44	8.24%	1,064,134,904.21	4.19%	4.05%	
Right-of-use assets	32,562,171.10	0.11%	43,927,228.97	0.17%	-0.06%	

Short-term borrowings	83,232,176.31	0.28%	30,035,138.89	0.12%	0.16%	
Contract liabilities	826,636,478.35	2.77%	1,825,447,705.85	7.18%	-4.41%	
Long-term borrowings	44,944,737.91	0.15%	172,356,255.83	0.68%	-0.53%	
Lease liabilities	18,631,395.93	0.06%	28,107,223.18	0.11%	-0.05%	

Indicate whether overseas account for a larger proportion in the total assets.

Applicable Not applicable

2. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	2,661,103,876.68	29,149,125.30	0.00		1,550,000,000.00	2,457,565,232.32		1,782,687,769.66
2. Investments in other equity instruments	54,542,418.50	0.00	1,905,371.44		0.00	0.00		56,447,789.94
Subtotal of financial assets	2,715,646,295.18	29,149,125.30	1,905,371.44		1,550,000,000.00	2,457,565,232.32		1,839,135,559.60

Total of the above	2,715,646,295.18	29,149,125.30	1,905,371.44		1,550,000,000.00	2,457,565,232.32		1,839,135,559.60
Financial liabilities	0.00	0.00	0.00		0.00	0.00		0.00

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as at the Period-End

Item	Ending carrying value	Reason for restriction
Monetary assets	667,187,706.08	Time deposits, certificate of deposit and cash deposits that are pledged for issuing bank acceptance bills
Fixed assets	114,679,263.52	Mortgaged for guarantee loans
Intangible assets	179,235,930.32	Mortgaged and pledged for guarantee loans
Total	961,102,899.92	--

VII Investments Made

1. Total Investment Amount

Applicable Not applicable

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable Not applicable

Unit: RMB

Item	Way of investment	Fixed assets investment or not	Industry involved	Input amount in the Reporting Period	Accumulative actual input amount as of the period-end	Capital resources	Progress	Estimated return on investment	Accumulative realized revenues as of the period-end	Reason for not reaching the schedule and anticipated income	Disclosure date (if any)	Disclosure index (if any)
The smart technology transformation project for liquor production	Self-built	Yes	Liquor production	1,794,442,904.44	2,796,024,924.88	Self-owned funds and raised funds	33.73%	N/A	N/A	N/A	3 March 2020	For details, please refer to the Announcement on Investment in the Smart Technology Transformation

												Project for Liquor Production disclosed by the Company on the website of Cninfo dated 3 March 2020.
Total	--	--	--	1,794,442,904.44	2,796,024,924.88	--	--	N/A	N/A	--	--	--

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Beginning carrying value	Gain/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying value	Accounting title	Funding source
Fund		DAPU Asset Management	200,000,000.00	Fair value method	203,538,644.36	-1,203,773.87					202,334,870.49	Held-for-trading financial assets	Self-owned funds
Other ending holding securities investments												--	--
Total			200,000,000.00	--	203,538,644.36	-1,203,773.87					202,334,870.49	--	--
Disclosure date of the announcement about the board's consent for the securities investment			The Company held the 10 th Meeting of the 9 th Board of Directors on 29 April 2022, reviewed and approved the proposal on cash entrusted for wealth management with idle self-owned funds by the Company.										
Disclosure date of the announcement about the general meeting's consent for the securities investment (if any)			N/A										

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

1) Investments in derivative financial instruments for the purpose of hedging during the Reporting Peirod

Applicable Not applicable

No such cases in the Reporting Period.

2) Investments in derivative financial instruments for the purpose of speculation during the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

Unit: RMB'0,000

Operator	Relationship with the Company	Connected transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Reverse repurchase of national debt	Naught	No	Reverse repurchase of national debt	7,620.50	31 May 2022	4 January 2023	7,620.50	7,000.00	8,620.50		6,000.00	0.31%	7.88
Total				7,620.50	--	--	7,620.50	7,000.00	8,620.50		6,000.00	0.31%	7.88
Capital source for derivative investment				Company's own funds									
Lawsuits involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				30 August 2013									

Disclosure date of shareholders' meeting announcement approving derivative investment (if any)	N/A
Analysis of risks and control measures associated with derivative investments held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	The Company had controlled the relevant risks strictly according to the Derivatives Investment Management System.
Changes in market prices or fair value of derivative investments during the Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	Naught
Significant changes in accounting policies and specific accounting principles adopted for derivative investments in the Reporting Period compared to previous reporting period	Naught
Opinion of independent directors on derivative investments and risk control	Based on the sustainable development of the main business and the sufficient free idle money, the Company increased the profits through investing in the reasonable financial derivative instruments, which was in favor of improving the service efficiency of the idle funds; in order to reduce the investment risks of the financial derivative instruments, the Company had set up corresponding supervision mechanism for the financial derivative instrument business and formulated reasonable accounting policy as well as specific principles of financial accounting; the derivative Investment business developed separately took national debts as mortgage object, which was met with the cautious and steady risks management principle and the interest of the Company and shareholders. Therefore, agreed the Company to develop the derivative Investment business of reverse repurchase of national debt not more than the limit of RMB0.3 billion.

5. Use of Funds Raised

Applicable Not applicable

(1) Overall Usage of Funds Raised

Applicable Not applicable

Unit: RMB'0,000

Year	Way of raising	Total funds raised	Total funds used in the Current Period	Accumulative fund used	Total funds with usage changed	Accumulative funds with usage changed	Proportion of accumulative funds with usage changed	Total unused funds	The usage and destination of unused funds	Amount of funds raised idle for over two years
2021	Private placement of stocks	495,434.21	108,865.76	151,942.50	0.00	0.00	0.00%	343,491.71	Deposited in fund raising account and cash management	0.00
Total	--	495,434.21	108,865.76	151,942.50	0.00	0.00	0.00%	343,491.71	--	0.00

Explanation of overall usage of funds raised

Through this issuance, the Company raised total proceeds of RMB5,000,000,000.00. After deducting the expenses related to the issuance of RMB45,657,925.15 (excluding VAT), the actual net proceeds raised were RMB4,954,342,074.85, and the actual amount received was RMB4,957,547,169.81. In 2022, the Company cumulatively used raised funds of RMB1088.6576 million and the interest from the special account of raised funds was RMB68.7933 million. As of the end of 2022, the balance of certificate of deposit and time deposits purchased with temporarily idle raised funds was RMB2.5 billion. The amount of balance due in the special account of raised funds on 31 December 2022 was RMB3,522.3479 million.

(2) Commitment Projects of Fund Raised

Applicable Not applicable

Unit: RMB'0,000

Committed investment project and super raise fund arrangement	Changed or not (including partial)	Committed investment amount	Investment amount after adjustment (1)	Investment amount in the Reporting	Accumulative investment amount as of	Investment schedule as the	Date of reaching intended use	Realized income in the Reporting	Whether reached anticipated	Whether occurred significant
---	------------------------------------	-----------------------------	--	------------------------------------	--------------------------------------	----------------------------	-------------------------------	----------------------------------	-----------------------------	------------------------------

	changes)			Period	the period-end (2)	period-end (3)=(2)/(1)	of the project	Period	income	changes in project feasibility
Committed investment project										
The smart technology transformation project for liquor production	Not	495,434.21	495,434.21	108,865.76	151,942.50	30.67%	31 December 2024		N/A	Not
Subtotal of committed investment project	--	495,434.21	495,434.21	108,865.76	151,942.50	--	--		--	--
Total	--	495,434.21	495,434.21	108,865.76	151,942.50	--	--		--	--
Condition and reason for not reaching the schedule and anticipated income (by specific items)	N/A									
Notes of condition of significant changes occurred in project feasibility	N/A									
Amount, usage and schedule of super raise fund	N/A									
Changes in implementation address of investment project	N/A									
Adjustment of implementation mode of investment project	N/A									
Advance investments in projects financed with raised funds and swaps of such advance	N/A									

investments with subsequent raised funds	
Idle fund supplementing the current capital temporarily	N/A
Amount of surplus in project implementation and the reasons	N/A
Usage and destination of unused funds	As of 31 December 2022, the unused raised funds and the interest were deposited in the special account for raised funds, and idle raised funds of RMB2.5 billion were outstanding for cash management purposes.
Problems incurred in fund using and disclosure or other condition	N/A

(3) Raised Funds Re-purposed

Applicable Not applicable

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

IX Principal Subsidiaries and Joint Stock Companies

Applicable Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profits

Unit: RMB

Company name	Relationship with the Company	Main business scope	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Bozhou Gujing Sales Co., Ltd	Subsidiary	Wholesales of baijiu, construction materials, feeds, assistant materials, etc.	84,864,497.89	6,371,581,783.16	1,218,506,991.86	14,604,943,405.92	2,078,878,268.33	1,495,484,480.90
Anhui Longrui Glass Co., Ltd	Subsidiary	Manufacture and sale of glass products, etc.	86,660,268.98	499,292,798.93	400,064,157.13	389,998,081.80	46,651,029.71	42,829,815.31
Yellow Crane Tower Wine Industry Co., Ltd	Subsidiary	Production and sales of baijiu, etc.	400,000,000.00	1,901,671,345.17	845,680,877.84	1,753,497,722.05	290,057,815.07	218,782,173.16
Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Subsidiary	Hotel management, house lease, etc.	54,000,000.00	187,706,189.57	79,041,066.87	52,644,754.91	2,950,997.85	2,029,617.03

Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Subsidiary	How subsidiary was obtained or disposed	Effects on overall operations and performance
Anhui Gujing Health Technology Co., Ltd.	Business combination not under the same control	Give full play to the advantages of Bozhou traditional Chinese

		medicine and open up the big health industry track.
Anhui Maiqi Biotechnology Co., Ltd.	Business combination not under the same control	Give full play to the advantages of Bozhou traditional Chinese medicine and open up the big health industry track.
Anhui Yangshengtianxia Brand Operation Co., Ltd.	Business combination not under the same control	Give full play to the advantages of Bozhou traditional Chinese medicine and open up the big health industry track.
Hainan Yangshengtianxia Biotechnology Development Co., Ltd.	Business combination not under the same control	Give full play to the advantages of Bozhou traditional Chinese medicine and open up the big health industry track.
Anhui Gujinggong Liquor Original Vintage Theme Hotel Management Co., Ltd.	Incorporated with investment	Optimize the internal management structure and enhance the internal driving force.
Anhui Anjie Technology Co., Ltd.	Incorporated with investment	Optimize the internal management structure and enhance the internal driving force.
Huanggang Junya Trading Co., Ltd.	Incorporated with investment	Optimize the internal management structure and enhance the internal driving force.

Notes to main controlled and joint stock companies:

Not applicable.

X Structured Bodies Controlled by the Company

Applicable Not applicable

XI Prospects

(I) Development Prospect of the Industry the Company is in

1. The industry is seeking steady progress with a clear trend of consumption recovery

With the gradual recovery of the economy and consumption, consumption upgrading will remain to be the long-term trend of the baijiu industry. In 2023, the consumption scenarios and willingness are expected to gradually recover. With a clear trend of consumption recovery, the overall pattern of a weak effect on driving sales and the slow recovery of consumption is improving in an accelerating manner. From the perspective of the recovery route, the recovery may be accelerated the decelerated. The fundamental of the baijiu industry will show a trend of QoQ improvements after reaching the bottom around the Spring Festival. In 2023, liquor producers are expected to maintain a steadily accelerating growth of their general performance, and seeking steady progress will still be the most significant pattern of their development.

2. A brand-guided pattern has been formed with increased industrial concentration

In the context of the increasingly fierce market competition, the baijiu market gradually becomes more and more segmented. As the development trend of concentration in “advantageous brands, production capacity and production areas” remains, a part of enterprises have relied on their advantages in brands, channels and capital to form a relatively stable leading market. In 2023, the trend of “the strong is always strong and the weak becomes weaker” may become more obvious in the liquor industry. As leading liquor producers are quite likely to achieve a growth in performance of more than 10%, the segmentation of the market shares of second-tier brands and regional liquor producers will become more aggravated.

3. The baijiu industry is advancing toward high-quality development with the release of its production capacity

“Production expansion” is arguably an important keyword for the baijiu industry. In 2022, multiple liquor producers announced to conduct production expansion. Different from previous situations, this round of production expansion is mainly concentrated on famous liquor brands and representative liquor products. It is more driven by the pursuit of quality base liquor for vintage or aged liquor and is a pre-emptive action for brand competition in the sub-high-end and high-end liquor markets. It not only blows the horn for the advancement of the domestic baijiu industry on the path of high-quality and sustainable development, but also indicates that the production capacity should be released to respond to the new situation after the pandemic. Therefore, the release of the production capacity of leading liquor producers will be an important orientation of the development of the liquor industry in 2023.

4. Industrial upgrading makes the trend of digitalization more and more obvious

The fourth industrial revolution represented by digitalization and intelligentization has triggered reshuffle in many industries and put forward new topics of development for the traditional baijiu-making industry. With the continuous upgrading of consumer demand and the aggravation of competition in the domestic baijiu market, digital transformation is helping liquor producers enhance their core competitiveness. Externally, the online-offline closed loop of traffic provides consumers with an omni-channel shopping experience, as the penetration in various digital channels, such as e-commerce, O2O, live streaming, and community group purchases, is increasing. Internally, lean management of all processes of operation based on digital platforms has been conducted to continuously reduce operation costs and improve operation efficiency.

(II) Development Strategy of the Company

1. Firmly boost "Strategy 5.0, Five-Star Operation" Strategy

Comprehensively fulfill Strategy 5.0 and have the "User-Centered" thought fully and deeply implemented in the Company. Solidly create the "Five-Star Operation", enhance competitive force, improve quality and efficiency, optimize services and promote healthy and efficient operation of the enterprise.

2. Firmly boost reform and innovation strategy

Deeply boost marketing innovation, technological innovation and mechanism innovation and generate endogenous power of the

enterprise.

3. Firmly create “Talent Highland” strategy

Intensify talent recruitment and attraction and establish flexible talent attraction and wisdom experience borrowing mechanism. Innovate talent training mode and promote independent cultivation & development and absorption & attraction simultaneously.

(III) Operating Revenue Plan of the Company in 2023

In 2023, the Company plans to achieve the operating revenue of RMB20.1 billion, rising 20.26% compared with that of last year; and achieve a total profit of RMB6 billion, rising 34.21% compared with that of last year.

(IV) Operating Risk of the Company

1. The adverse effect of the systematic risk in the macro-economic environment on the development of the industry and the Company.
2. The strengthened concentration and intensified polarization in the baijiu industry, and continuously escalated competition for production capacity, market, and flavor in the era of famous liquor competition.
3. The more complex, severe and uncertain external environment.

(V) Operating Measures

1. Marketing

The Company will target a high level to improve the brand-based driving effect. The Company will adhere to the nationwide and sub-high-end strategy that advocates “spiking hard from a high position”. The Company will also continue to deepen the “Three Ones Project” and adhere to the implementation route of “position occupation, market consolidation and customer acquisition” to accelerate its advancement toward the whole country and expansion in markets outside the base province. By making a targeted layout, the Company aims to cultivate the market vitality. By brand resonance, the Company aims to deepen its marketing modes. By making more efforts on terminals, the Company aims to enhance the cultivation of consumers. Meanwhile, the Company will deepen the construction of its marketing system, continue to conduct upgrading regarding its brands, product quality and cultural vitality, continuously expand its brand influence and increase its brand reputation.

2. Product Management

The Company aims to implement the call on green and intelligent liquor-making. By actively responding to the national “dual carbon” goal and strictly implementing policies related to environment protection, the Company aims to achieve green production. The Company will also accelerate the progress of the intelligent industrial park project, so that the park can be put into operation sooner. Moreover, the Company will make concerted effort to conduct equipment upgrading and transformation, optimize processes and procedure, and promote intelligent production.

3. Engineering Construction

The Company accelerated the construction of the smart technology transformation project (smart park) for liquor production, and adhered to high standards and high quality to promote the construction of smart park projects.

4. Informatization Construction

The Company will restructure business processes. With the construction of various systems, such as the APS, the MES, the SCADA and the bar code system, the Company will complete the construction of smart factories that are automatic, information-based, intelligent and driven by the integration of IT and OT. The Company will also achieve the interconnection of devices, as well as improve the efficiency of device coordination and the ability of predictive device maintenance. Moreover, the Company will establish a unified big data platform as the base of the big data governance system to provide flexible support for data analysis in the foreground and the background.

5. Safety and Environmental Protection

The Company will enhance the inspection and governance of safety hazards, emphasize accountability of duty performance, conduct effective long-term management and ensure the achievement of the objective of “four zeros”. By implementing green and low-carbon production, the Company will systematically implement energy conservation and consumption reduction to ensure that its discharge and emissions will meet the relevant standards.

6. Internal Management

The Company also aims to deepen the implementation of the reform of state-owned enterprises. It will consolidate its achievements in the three-year action of the reform of state-owned enterprises and conduct more in-depth and practical reform of the Three Systems. By revitalizing the mechanisms of post competition and employee appraisal, the Company aims to achieve the upward and downward mobility of managers; by revitalizing the mechanisms of remuneration distribution and performance appraisal, the Company aims to achieve the upward and downward mobility of employee income. Moreover, by continuously promote the optimization of cost, models and procedure, the Company aims to improve its operation efficiency.

7. Corporate Culture Construction

Additionally, the Company will implement the spirit of the 20th National Congress of the CPC. It will continue to implement the important instructions of General Secretary Xi Jinping, thoroughly conduct themed publicity and education, continue to enhance ideology-related work, and conduct effective defence as a main venue for ideology-related work. It will also make efforts to develop an innovation model with the in-depth integration of Party building and business. Furthermore, it will take advantage of the co-development and exchange platform for Party building to enhance abilities and promote development. Moreover, it will enhance the ideological education of its employees by combining business training with ideological guidance.

In 2023, the Company will continue to adhere to the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and thoroughly implement the spirit of the 20th National Congress of the CPC, as well as the decisions and arrangement of the Party committees of the base province and the base city. With adherence to “Three Stricts and Three Honests” and “do things immediately, genuinely, and solidly”, the Company will gather strength to build “China Liquor Town”. Additionally, the Company will continuously implement the long-term perspective mindset, the concept of excellence, and the awareness of high-quality products, maintain integrity and innovation, pursue progress while ensuring stability, and advance toward a higher objective.

XII Communications with the Investment Community such as Researches, Inquiries and Interviews

Applicable Not applicable

Part IV Corporate Governance

I General Information of Corporate Governance

Indicate by tick market whether there is any material in-compliance with laws, administrative regulations and the regulatory documents issued by the CSRC governing the governance of listed companies.

Yes No

The Company has enabled the General Meeting, the Board of Directors, the Board of Supervisors and the management to form a standardized and scientific decision-making mechanism of operation to sufficiently protect the rights and interests of investors, and small and medium investors in particular, and to intensify the standardized operation of the Company, in strict accordance with relevant laws and regulations such as *the Company Law*, *the Securities Law*, *the Code of Corporate Governance for Listed Companies*, *the Rules for Stock Listing of Shenzhen Stock Exchange*, and *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standard Operation of Listed Companies on the Main Board*. During the Reporting Period, the Company's actual situation of corporate governance met the relevant requirements of the normative documents on the governance of listed companies issued by the China Securities Regulatory Commission. In strict accordance with the relevant laws and regulations, and the Company's requirements on internal rules, regulations, and management system, each of the directors, supervisors and senior managers of the Company executed his or her rights and obligations, to ensure transparent disclosure of the Company's information, its operation according to law, and honesty and trustworthiness.

1. Shareholders and General Meeting of Shareholders

The Company regulates the convening, holding, and voting procedures of the general meeting of shareholders in strict accordance with the provisions and requirements of *the Company Law*, *the Articles of Association*, and *the Rules of Procedure of the General Meeting*. During the Reporting Period, the convening and holding procedures of general meetings of shareholders, the qualifications of attendants to the meetings and the voting procedures of the meetings all met the provisions of *the Company Law*, *Rules of Procedure of the General Meeting*, and other laws and regulations. The Company equally treated all of its shareholders, and small and medium shareholders in particular, to ensure full execution of rights of all shareholders.

2. The Company and Controlling Shareholders

The Company's controlling shareholders are able to strictly regulate their own behaviors, without any violation of provisions of relevant laws, regulations, and the Company's Articles of Association. They have not directly or indirectly interfered with the Company's decision-making, and production and operation activities, nor have they occupied the Company's funds; the Company has not provided its controlling shareholders with any form of guarantee.

3. Directors and Board of Directors

The Company's Board of Directors consists of nine directors, three of whom are independent directors. The number of directors and the personnel composition of the Board of Directors comply with the requirements of laws, regulations, and *the Articles of Association*. All directors act in accordance with *the Articles of Association*, *Rules of Procedure of the Board of Directors*, and *the Work Policy for Independent Directors*, etc., attend the meetings of the Board of Directors and general meetings of shareholders, diligently and faithfully perform their duties and obligations. Meanwhile, they actively participate in relevant training, and get familiar with relevant laws and legislations. Under the Board of Directors, there are four special committees, i.e., the Audit Committee, the Nominating Committee, the Remuneration and Appraisal Committee, and the Strategy Committee, which perform their normal duties, to provide scientific and professional comments and references for decision-making of the Board of Directors.

4. Supervisors and Board of Supervisors

There are five supervisors in the Company's Board of Supervisors, including two employee supervisors. The number and

composition of the Board of Supervisors are in compliance with the requirements of laws and regulations. All supervisors are able to conscientiously perform their duties in accordance with the requirements of *the Rules of Procedure of the Board of Supervisors*, earnestly perform their duties, and supervise the major events, related-party transactions, financial status, law-and-regulation compliance of performance of duties of directors and senior managers of the Company.

5. The Mechanism of Performance Appraisal, and Incentive and Constraint

The procedures for appointment and removal of directors, supervisors, and senior managers of the Company shall be open and transparent, and in line with the relevant provisions of laws, regulations, and *the Articles of Association*; the Company's remuneration appraisal scheme shall specifically stipulate the evaluation to the Company's management team. The Company shall constantly improve the performance evaluation standard and incentive and constraint mechanism of directors, supervisors, and senior managers.

6. Fulfillment of Social Responsibilities, and Stakeholders

The Company is able to fully respect and protect the legitimate rights and interests of relevant stakeholders, achieve a balance of interests between the society, shareholders, the Company, suppliers, customers, employees, and other relevant parties, to promote the sustainable, stable, and healthy development of the Company.

7. Information Disclosure and Transparency

The Company faithfully performs the obligation of information disclosure in strict accordance with *the Articles of Association of the Company*, *Listing Rules of Shenzhen Stock Exchange*, *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standard Operation of Listed Companies on the Main Board*, *Self-regulatory Guidelines No. 5 for Companies Listed on Shenzhen Stock Exchange - Management of Information Disclosure Affairs*, and the relevant laws and regulations of China's Securities Regulatory Commission and Shenzhen Stock Exchange. The Company designates *China Securities Journal*, *Shanghai Securities News*, *Ta Kung Pao*, and Cninfo (<http://www.cninfo.com.cn>) as its information disclosure media and website, to guarantee investors' right to know, and to ensure that all shareholders of the Company have a fair opportunity to obtain information of the Company. Meanwhile, the Company has established diversified communication channels for investors, including special telephone line, exclusive mailbox, and interactive platform for investors, and many other forms, to fully guarantee the right of a large number of investors to know.

8. The formulation and implementation of the registration and management system on inside information and insiders

In accordance with the requirements of regulatory authorities, the Company and all of its controlling shareholders have formulated the system for registration and record on inside information and insiders, regulated the acts of managing inside information of the Company and its controlling shareholder, strengthened the classification of inside information, and safeguarded the principle of fairness for information disclosure. During the Reporting Period, in strict accordance with *the Management System on Inside Information and Insiders*, the Company has made well classification of inside information, and registration and record on insiders.

II The Company's Independence from Its Controlling Shareholder and Actual Controller in Business, Personnel, Asset, Organization and Financial Affairs

The Company and the controlling shareholder, Anhui Gujing Group Co., Ltd., realized five independences in terms of business, personnel, assets, organizations and financial affairs, with separate independent calculation, independent and complete business, independent operation ability, and independent responsibilities and risks. Majority shareholders cannot surpass the shareholders' general meeting to directly or indirectly interfere with the Company's decisions and legal production as well as operation activities, and there is no same trade competition state of the same products between the company and majority shareholders.

1. Independence of Business

The Company is mainly engaged in the production and sale of baijiu, and the Company's business is mutually independent of its controlling shareholder Gujing Group and other enterprises controlled by the Group. The issuer owns independent research and development system, purchasing system, production system, and sale system, forming a complete business chain, all of which do not rely on its shareholders and their subordinate enterprises. Therefore, the issuer's business is independent of its controlling

shareholders.

2. Independence of Personnel

The Company has independent management systems of labor, personnel, salary, etc., and independent staff teams, in which the salary payment and welfare expenditure of the Company are strictly independent of those of its shareholders and related parties. The directors, supervisors and senior managers of the Company are all selected in strict accordance with the relevant provisions of *the Company Law* and *the Company's Articles of Association*. All senior managers do not take other positions than directors or supervisors in any of other entities controlled by the controlling shareholders or actual controllers of the Company, nor do they receive salary from any other entities controlled by the controlling shareholders or actual controllers of the Company. None of the financial staff members of the Company takes part-time positions in any of other entities controlled by the controlling shareholders or actual controllers of the Company.

3. Independence of Assets

The Company has its production system, auxiliary production system, and supporting facilities related to its production and operation; and legally has the ownership or use rights of the land, plants, machines, trademarks, and patents in relation to its production and operation. Therefore, there is not any damage to the Company's interests in such a way that the assets and funds of the Company are occupied by the Company's controlling shareholders and their related parties.

4. Independence of Organization

The Company has established a sound and integral governance structure of general meeting of shareholders, the Board of Directors, and the Board of Supervisors, and formulated the corresponding internal control management system. The Company independently exercises the duties and rights of operation and management, in which the Company's units of production, operation, and office are completely separated from the shareholding entities. Therefore, the Company does not make mixed operation and has mixed office with its shareholding entities; the Company's shareholding entities and their related entities or persons do not interfere with the Company's structural setup; there is not any subordinate relationship between the Company and its controlling shareholders, or between their functional departments.

5. Independence of Finance

The Company has set up an independent finance department with full-time personnel; and established an independent accounting system and financial management system, independently making financial decisions, and implementing a strict internal audit system. An independent bank account has been opened for the Company, without sharing the account with the Company's shareholding entities or any other entity or person. The Company, as an independent taxpayer, declares taxes and fulfills tax payment obligations independently according to law, and does not pay taxes together with its shareholding entities.

III Horizontal Competition

Applicable Not applicable

IV Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 2021 Annual General Meeting	Annual General Meeting	56.58%	27 May 2022	28 May 2022	Announcement on Resolutions of the 2021 Annual General Meeting

												disclosed on www.cninfo.com.cn
--	--	--	--	--	--	--	--	--	--	--	--	-----------------------------------

2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V Directors, Supervisors and Senior Management

1. Basic Information

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liang Jinhui	Chairman of the Board	Incumbent	Male	57	23 April 2014	18 June 2023					
Li Peihui	Director	Incumbent	Male	50	23 August 2016	18 June 2023					
Zhou Qingwu	Director, GM	Incumbent	Male	49	23 April 2014	18 June 2023					
Yan Lijun	Director, Executive Deputy GM	Incumbent	Male	50	5 August 2016	18 June 2023					
Xu Peng	Director, Deputy GM	Incumbent	Male	53	23 August 2016	18 June 2023					
Ye Changqing	Director	Incumbent	Male	49	15 December 2011	18 June 2023					
Zhang Guiping	Independent director	Incumbent	Male	72	19 June 2020	18 June 2023					
Wang Ruihua	Independent director	Incumbent	Male	61	19 June 2020	18 June 2023					

Xu Zhihao	Independent director	Incumbent	Male	47	19 June 2020	18 June 2023					
Sun Wanhua	Chairman of Supervisory Committee	Incumbent	Male	58	20 May 2019	18 June 2023					
Yang Xiaofan	Supervisor	Incumbent	Male	56	23 August 2016	18 June 2023					
Lu Duicang	Supervisor	Incumbent	Male	43	20 May 2019	18 June 2023					
Zhang Bo	Employee supervisor	Incumbent	Male	58	23 August 2016	18 June 2023					
Cui Yujun	Employee supervisor	Incumbent	Male	55	20 March 2022	18 June 2023					
Zhang Lihong	Deputy GM	Incumbent	Male	55	5 August 2016	18 June 2023					
Gao Jiakun	Deputy GM	Incumbent	Male	53	28 August 2020	18 June 2023					
Li Anjun	Deputy GM	Incumbent	Male	53	28 August 2020	18 June 2023					
Zhu Xianghong	Deputy GM	Incumbent	Male	49	28 August 2020	18 June 2023					
Kang Lei	Deputy GM	Incumbent	Male	45	23 September 2022	18 June 2023					
Zhu Jiafeng	Deputy GM, Chief Accountant	Incumbent	Male	46	23 September 2022	18 June 2023					
Zhu Jiafeng	Secretary of the	Incumbent	Male	46	29 October	18 June					

	Board				2021	2023				
Wang Zibin	Employee supervisor	Former	Male	53	23 August 2016	20 March 2022				
Total	--	--	--	--	--	--				

Indicate by tick mark whether any directors or supervisors left or any senior management were disengaged during the Reporting Period

Yes No

Mr. Wang Zibin applied for resignation from the position of employee supervisor of the Company due to job adjustment.

Change of Directors, Supervisors and Senior Management

Applicable Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Wang Zibin	Employee supervisor	Left	20 March 2022	Applied for resignation from the position of employee supervisor of the Company due to job adjustment
Cui Yujun	Employee supervisor	Elected	20 March 2022	Election
Kang Lei	Deputy GM	Appointed	23 September 2022	Appointment
Zhu Jiafeng	Deputy GM, Chief Accountant	Appointed	23 September 2022	Appointment

2. Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

1. Mr. Liang Jinhui, male, born in October 1966, member of CPC, is Political Engineer, a deputy to the 13th National People's Congress, a deputy to the 14th National People's Congress and Chinese Brewmaster with MBA degree, incumbent Secretary of CPC and president of the Company and president and Secretary of CPC of Gujing Group. He ever took the post of MD, GM, Deputy GM, GM of Bozhou Gujing Sales Co., Ltd., Supervisor of Third Supervisory Committee, Director of the 4th, 5th and 6th Board of Directors and Chairman of the 7th and 8th Board of Directors of the Company.

2. Mr. Li Peihui, male, born in July 1973, member of CPC, is a holder of master degree. He is a senior accountant, CPA (non-practicing) and member of national leading accounting talents. At present, he acts as the Company's Vice Secretary of CPC and president of Gujing Group. He had ever served as deputy GM and GM of Financial Department, deputy chief accountant, chief accountant, Secretary of Board of Directors and Director of the Company; Chairman of the Board of Anhui Ruijing Business Travel Group Co. and Anhui Huixin Financial Investment Group; executive vice president and CFO of Gujing Group; and director of the 7th and 8th Board of Directors.

3. Mr. Zhou Qingwu, male, born in February 1974, member of CPC, is a senior engineer, and China Chief Baijiu Taster with educational experience of graduate student. At present, he is Vice Secretary of CPC, Director and General Manager of the Company, Vice Secretary of CPC of Gujing Group. He had ever acted as Deputy GM and deputy executive GM of the Company and Director of the 5th, 6th, 7th and 8th Board of Directors of the Company.

4. Mr. Yan Lijun, male, June 1973, member of CPC, is a holder of master degree with Senior Taster. Now he is Vice Secretary of CPC, Director, Executive Deputy GM of the Company, member of CPC Committee of Gujing Group, Chairman of the Board and GM of Bozhou Gujing Sales Co., Ltd. He once worked as a salesman of Sale Company, District Manager, Director of Market Research, Vice Manager of Planning Department, Director of Hefei Strategic Operations Center, Vice GM and director of the 7th and 8th Board of Directors of the Company.

5. Mr. Xu Peng, male, born in September 1970, member of CPC, has educational experience of undergraduate college. He is the member of CPC Committee, Director and Deputy GM of the Company, member of CPC Committee of Gujing Group, Secretary of CPC and Chairman of the Board of Yellow Crane Tower Liquor Industry Co., Ltd. He had ever acted as Deputy Director and Director of Finance Second Office of Finance Department of the Company, Manager of Finance Department of Anhui Laobada Co., Ltd., Vice Manager and Manager of Finance Department of the Company, Deputy General Manager and Chief Supervisor of Market Supervision Department of Bozhou Gujing Sales Company, Chairman of the 7th Supervisory Committee and Director of the 7th and 8th Board of Directors of the Company.

6. Mr. Ye Changqing, male, born in October 1974, member of CPC, senior accountant, is a member of national leading accounting talents with master degree and International Certified Internal Auditor. He is the incumbent Director of the Company and CFO of Gujing Group. He had ever acted as Chief Auditor of Audit Department, Vice Manager of Audit Department and Vice Supervisor and Supervisor of Auditing & Supervision Department; and Supervisor of the 4th Supervisory Committee of the Company; Director and Secretary of the 5th, 6th, 7th and 8th Board of Directors, and Chief Accountant of the Company.

7. Zhang Guiping, male, born in August 1951, is a member of the Revolutionary Committee of the Chinese Kuomintang, a bachelor's degree holder and a member of the 13th CPPCC National Committee. He is currently the Chairman of Suning Global, Chairman and president of Suning Universal Co., Ltd., Independent Director of the Company, Chairman of the Entrepreneurs Association of the Revolutionary Committee of the Chinese Kuomintang, Deputy Director of the Central Economic Commission of the Revolutionary Committee of the Chinese Kuomintang, Supervisor of the Party and Government Style and Police Style of the Ministry of Public Security of the Revolutionary Committee of the Chinese Kuomintang, Vice Chairman of Sun Yat-Sen Fraternity Foundation, Chairman of Commercial Culture Association of China, President of the Council of Anhui International Huishang Exchange Association, Chairman of Anhui Chamber of Commerce in Jiangsu, and other social positions. Many awards have been bestowed upon him, including "National Model Worker", "Excellent Contributor to Building of Socialism with Chinese Characteristics", "Role Model of the Revolutionary Committee of the Chinese Kuomintang", "China Outstanding Private Entrepreneur", "China's Most Influential Business Leader", "Chinese Integrity Talent", "TOP Ten Influential People in China's Real Estate Industry" and "Outstanding Individual Contributor to China Charity".

8. Wang Ruihua, male, born in January 1962, member of CPC, is a non-practicing Chinese CPA with a doctor's degree in management. Now he acts as the executive dean, a professor and doctoral advisor at Central University of Finance and Economics, Guangdong-Hong Kong-Macao Greater Bay Area (Huangpu) Research Institute & member of China National MBA Education Supervisory Committee, member of Independent Director Committee of China Association for Public Companies, the independent director in the Company, independent director in Bank Of Beijing Co., Ltd., independent director of Harvest Fund Management Co., Ltd., independent director of JD Technology Holding Co., Ltd., independent director of China Post Securities Co., Ltd.

9. Xu Zhihao, male, born in June 1976, is a senior engineer who graduated from Renmin University of China. He also holds a master's degree from the PBC School of Finance, Tsinghua University, and is studying for a doctorate at Zhejiang University and Singapore Management University. He possesses the professional qualifications to engage in fund and securities businesses. He is currently Independent Director of the Company, CEO of Geely Technology Group Co., Ltd., Chairman of QJMOTOR, and Chairman of Mintimes Investment Development Group Co., Ltd.

10. Sun Wanhua, male, was born in October 1965, member of CPC, with a bachelor degree. Now he acts as the Chairman of the Supervisory Committee of the Company, member of the Party Committee and vice president in Gujing Group. He once held the posts of the member of Standing Committee of CPC County Committee, the Party Secretary of People's Armed Forces Department and

political commissar in Minquan County, Henan Province, member of Standing Committee of Discipline Inspection Committee in Bozhou, Deputy Director of Bozhou Supervision Bureau and Deputy Secretary of Bozhou Discipline Inspection Committee, Chairman of the 8th Supervisory Committee of the Company.

11. Mr. Yang Xiaofan, male, born in April 1967, member of CPC, is a holder of master degree. At present, he is Supervisor of the Company and Vice President and member of CPC Committee of Gujing Group. He once acted as Vice President and General Manager of Anhui Gujing Real Estates Group Co., Ltd., Assistant to President of Gujing Group; Director of the 5th, 6th and 7th Board of Directors of the Company and Supervisor of the 7th and 8th Supervisory Committee of the Company.

12. Lu Duicang, male, born in March 1980, member of CPC, a senior accountant with a master degree. Now he serves as the supervisor of the Company, the Chairman of Anhui Longrui Glass Co., Ltd. and director of Mengcheng Rural Commercial Bank Co., Ltd. He once acted as the accountant, deputy director, and director of No.1 Center of Finance Department, factory director of the Baijiu Bottling Branch and Manager of Finished Product Department in the Company, Controller of the Financial Management Center in Gujing Group, GM of Anhui Huixin Finance Investment Group Co., Ltd. Assistant Financial Controller in Gujing Group and the Supervisor of the 5th, 6th, 7th and 8th Supervisory Committee of the Company.

13. Mr. Zhang Bo, male, born in July 1965, member of CPC, is an economist with bachelor degree. Now, he serves as Employee Supervisor of the Company and director of 5A Management Committee (preparatory). He once worked as Chairman of the board and GM of Bozhou Gujing Printing Co., Ltd. and Bozhou Gujing Glassware Manufacturing Co., Ltd. as well as Chairman of the Board of Bozhou Ruineng Heat and Power Co., Ltd., Supervisor of the 7th and 8th Supervisory Committee of the Company, Chairman of the Labor Union of Gujing Group and Chairman of the Board & GM of Anhui Mingguang Distillery Co., Ltd.

14. Mr. Cui Yujun, male, born in December 1968, member of CPC, is a holder of bachelor degree. He is incumbent the employee supervisor of the Company and director of the Production Management Centre. He once worked as the workshop manager, manager, GM Assistant and Deputy Director of the Company's Production Management Centre.

15. Mr. Zhang Lihong, male, born in October 1968, member of CPC, is an economist with bachelor degree. He is incumbent Vice Secretary of CPC and Deputy GM of the Company and member of CPC Committee and deputy secretary of Commission for Discipline and Inspection of Gujing Group. He once acted as clerk, Secretary of Operation Department and Market Development Department, Deputy GM, Director of General Office, Director of Service Centre of Bozhou Gujing Sales Co., Ltd., Director of HR Department and Administrative Service Center and GM Assistant of the Company.

16. Mr. Gao Jiakun, male, born in November 1970, member of CPC, is a holder of bachelor degree. He is incumbent member of the CPC and Deputy GM of the Company. He once served as GM of Production Management Department, Vice Director of Production Management Centre, Chairman of the Board and GM of Bozhou Pairuite Packing Products Co., Ltd., Director of Finished Products Filling Centre and Production Management Centre, and assistant to GM of the Company.

17. Li Anjun, male, born in May 1970, is a member of CPC with a master's degree. He is currently a member of the Party Committee, Deputy General Manager and Chief Enginee of the Company. He served as the Deputy Director and Director of the Company's Technical Quality Center.

18. Mr. Zhu Xianghong, male, born in September 1974, member of CPC, is a senior Wine Taster with bachelor degree. He is incumbent Deputy GM of Company, GM of Yellow Crane Tower Liquor Industry Co., Ltd. He once acted as GM of Product Department of Bozhou Gujing Sales Co., Ltd., GM of Hefei Office, regional GM of Northern Anhui Province, GM of Anhui Operating Centre, standing Deputy GM of Sales Company and assistant to GM of the Company.

19. Kang Lei, male, born in July 1978, is a member of CPC with a college degree. He is currently Deputy GM, and Director of the Enterprise Management Center of the Company. He served as Deputy Director of the Financial Management Center of Bozhou Gujing Sales Company, Director and Assistant to General Manager of the Company's Administrative Service Center, and Deputy Director of the President's Executive Office of Gujing Group.

20. Zhu Jiafeng, male, born in August 1977, is a member of CPC and senior accountant with a college degree. He is currently Deputy GM, Chief Accountant, Secretary of the Board and Director of the Financial Management Center of the Company. He served as the

Manager, Deputy Director, assistant to General Manager and Deputy Chief Accountant of the Financial Management Center of the Company.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liang Jinhui	Anhui Gujing Group Co., Ltd.	Chairman of the Board of Directors	1 May 2014		Yes
Li Peihui	Anhui Gujing Group Co., Ltd.	President	31 October 2017		Yes
Sun Wanhua	Anhui Gujing Group Co., Ltd.	Vice President	31 October 2017		Yes
Yang Xiaofan	Anhui Gujing Group Co., Ltd.	Vice President	1 November 2009		Yes
Ye Changqing	Anhui Gujing Group Co., Ltd.	CFO	13 August 2021		Yes
Notes	The above-mentioned personnel, though they take posts in shareholders' entities, comply with the relevant employment requirements of Company Law, Securities Law and never disciplined by CSRC, other relevant departments and the Stock Exchange.				

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in other entity	Start of tenure	End of tenure	Remuneration or allowance from other entity
Zhang Guiping	Suning Universal Group Co.,Ltd	Chairman of the Board	December 2005		No
	Suning Universal Co.,Ltd	Chairman of the Board, President	October 2017	October 2023	Yes
Xu Zhihao	Geely Technology Group Co., Ltd.	CEO	January 2018		Yes
	Zhejiang Qjiang Motorcycle Co.,Ltd.	Chairman of the Board	February 2020	May 2024	No
	Mintimes Investment Development Group Co., Ltd.	Chairman of the Board	August 2021	August 2024	No
Wang Ruihua	Central University of Finance and Economics	Professor	July 1983		Yes
	Bank Of Beijing Co., Ltd.	Independent director	December 2019	December 2025	Yes
	Harvest Fund Management Co., Ltd.	Independent	November 2017		Yes

		director			
	JD Technology Holding Co., Ltd.	Independent director	June 2020		Yes
	China Post Securities Co., Ltd.	Independent director	February 2023		Yes
Lu Duicang	Mengcheng Rural Commercial Bank Co., Ltd.	Director	March 2018		No
Notes	Zhang Guiping, Wang Ruihua and Xu Zhihua are independent directors of the Company.				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable Not applicable

On 10 May 2022, Mr. Zhang Guiping, an independent director of the Company, received the Decision on Giving Zhang Guiping a Notice of Criticism from Shenzhen Stock Exchange due to the short-term trading of the Company's stock made by his spouse.

3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

(1) Decision-making procedure of remuneration for Directors, Supervisors and Executive Officers

The remuneration of independent directors is decided through the general meeting of shareholders, and the remuneration of the directors, supervisors, and senior managers assuming positions in the Company is defined in accordance with the relevant regulations of the State-owned Assets Supervision and Administration Commission (the "SASAC") of Haozhou Municipal People's Government, and the relevant policies of the Company.

(2) Determination basis of remuneration for Directors, Supervisors and Executive Officers

The remuneration is determined based on the annual performance of the Company and the appraisal result in accordance with the spirits in the Implementation Opinion on Deepening the System Reform of Remuneration of Chargers in Provincial Enterprises (WF[2015] No. 28), and the Interim Procedures of Remuneration Management of Chargers in Municipal Enterprises (GZG[2017] No. 21) issued by the CPC Anhui Provincial Committee and the People's Government of Anhui.

(3) Actual Payment of remuneration for Directors, Supervisors and Executive Officers

Part of basic remuneration is paid on a monthly basis, and according to appraisal, performance-based remuneration is paid at the end of the year.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liang Jinhui	Chairman of the Board	Male	57	Incumbent		Yes
Li Peihui	Director	Male	50	Incumbent		Yes

Zhou Qingwu	Director, GM	Male	49	Incumbent	100.73	No
Yan Lijun	Director, Executive Deputy GM	Male	50	Incumbent	392.70	No
Xu Peng	Director, Deputy GM	Male	53	Incumbent	229.66	No
Ye Changqing	Director	Male	49	Incumbent		Yes
Zhang Guiping	Independent director	Male	72	Incumbent	20.00	No
Wang Ruihua	Independent director	Male	61	Incumbent	20.00	No
Xu Zhihao	Independent director	Male	47	Incumbent	20.00	No
Sun Wanhua	Chairman of Supervisory Committee	Male	58	Incumbent		Yes
Yang Xiaofan	Supervisor	Male	56	Incumbent		Yes
Lu Duicang	Supervisor	Male	43	Incumbent	93.28	No
Zhang Bo	Employee supervisor	Male	58	Incumbent		Yes
Cui Yujun	Employee supervisor	Male	55	Incumbent	109.96	No
Zhang Lihong	Deputy GM	Male	55	Incumbent	155.84	No
Gao Jiakun	Deputy GM	Male	53	Incumbent	173.55	No
Li Anjun	Deputy GM	Male	53	Incumbent	165.74	No
Zhu Xianghong	Deputy GM	Male	49	Incumbent	358.95	No
Kang Lei	Deputy GM	Male	45	Incumbent	158.45	No
Zhu Jiafeng	Deputy GM, Chief Accountant, Secretary of the Board	Male	46	Incumbent	160.73	No
Wang Zibin	Employee supervisor	Male	53	Former		Yes
Total	--	--	--	--	2,159.59	--

VI Performance of Duty by Directors in the Reporting Period

1. Board Meeting Convened during the Reporting Period

Meeting	Date of the meeting	Disclosure date	Meeting resolutions
The 10 th Meeting of the 9 th Board of Directors	29 April 2022	30 April 2022	Announcement on Resolutions of the 10 th Meeting of the 9 th Board of Directors of Anhui Gujing Distillery Company Limited (No.: 2022-010) disclosed on the website of Cninfo (www.cninfo.com.cn).
The 11 th Meeting of the 9 th Board of Directors	30 August 2022	31 August 2022	Announcement on Resolutions of the 11 th Meeting of the 9 th Board of Directors of Anhui Gujing Distillery Company Limited (No.: 2022-025) disclosed on the website of Cninfo (www.cninfo.com.cn).
The 12 th Meeting of the 9 th Board of Directors	23 September 2022	24 September 2022	Announcement on Resolutions of the 12 th Meeting of the 9 th Board of Directors of Anhui Gujing Distillery Company Limited (No.: 2022-030) disclosed on the website of Cninfo (www.cninfo.com.cn).
The 13 th Meeting of the 9 th Board of Directors	28 October 2022	N/A	Third Quarterly Report 2022
The 14 th Meeting of the 9 th Board of Directors	30 December 2022	31 December 2022	Announcement on Resolutions of the 14 th Meeting of the 9 th Board of Directors of Anhui Gujing Distillery Company Limited (No.: 2022-035) disclosed on the website of Cninfo (www.cninfo.com.cn).

2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the	Board meetings attended on	Board meetings attended by way of telecommunication	Board meetings attended	Board meetings the director failed	The director failed to attend two	General meetings attended

	director was eligible to attend	site		through a proxy	to attend	consecutive board meetings (yes/no)	
Liang Jinhui	5	1	4	0	0	No	1
Li Peihui	5	1	4	0	0	No	1
Zhou Qingwu	5	1	4	0	0	No	1
Yan Lijun	5	1	4	0	0	No	1
Xu Peng	5	1	4	0	0	No	1
Ye Changqing	5	1	4	0	0	No	1
Zhang Guiping	5	1	4	0	0	No	1
Wang Ruihua	5	1	4	0	0	No	1
Xu Zhihao	5	1	4	0	0	No	1

3. Objections Raised by Directors on Matters of the Company

Indicate by tick mark whether any independent directors raised any objections on any matter of the Company.

Yes No

No such cases in the Reporting Period.

4. Other Information about the Performance of Duty by Directors

Indicate by tick mark whether any suggestions from directors were adopted by the Company.

Yes No

Suggestions from directors adopted or not adopted by the Company

During the Reporting Period, the directors of the Company carried out their work diligently and conscientiously in strict accordance with *the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standard Operation of Listed Companies on the Main Board, the Articles of Association, and Rules of Procedure of the Board of Directors*. Based on the Company's reality, they put forward relevant opinions on the Company's major governance and operation decisions, and reached consensus through full communication and discussion. They resolutely supervised and promoted the implementation of the resolutions of the Board of Directors to ensure scientific, timely, and efficient decision-making and safeguard the legitimate rights and interests of the Company and all of its shareholders.

VII Performance of Duty by Specialized Committees under the Board in the Reporting Period

Committee	Members	Number of meetings convened	Convened date	Content	Important opinions and suggestions raised	Other information about	Details about issues with
-----------	---------	-----------------------------	---------------	---------	---	-------------------------	---------------------------

						the performance of duty	objections (if any)
The Audit Committee under the Board	Zhang Guiping, Wang Ruihua, Xu Zhihao, Xu Peng, Ye Changqing	1	21 March 2022	Progress of the 2021 annual report audit; The summary of the 2021 internal audits and the work plan for the 2022 internal audits.	The Audit Committee carried out its work diligently and conscientiously in strict accordance with <i>the Company Law</i> , the regulations of <i>the China Securities Regulatory Commission</i> , <i>the Articles of Association</i> , and <i>the Rules of Procedure of the Board of Directors</i> . It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.		
The Audit Committee under the Board	Zhang Guiping, Wang Ruihua, Xu Zhihao, Xu Peng, Ye Changqing	1	26 April 2022	The deliberation on the <i>Company's 2021 Internal Control Self-assessment Report</i> , the deliberation on the <i>Company's 2021 Annual Report and Its Summary</i> , the deliberation on the <i>Company's First Quarter Report for 2022 and Its Summary</i> , the deliberation on the <i>Company's Appointment of the Audit Agency for 2022</i> , and the deliberation on the <i>Company's Special Report on Deposit and Use of the Raised Funds of 2021</i> .	The Audit Committee carried out its work diligently and conscientiously in strict accordance with <i>the Company Law</i> , the regulations of <i>the China Securities Regulatory Commission</i> , <i>the Articles of Association</i> , and <i>the Rules of Procedure of the Board of Directors</i> . It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.		
The Audit	Zhang Guiping,	1	25	The deliberation on the	The Audit Committee		

Committee under the Board	Wang Ruihua, Xu Zhihao, Xu Peng, Ye Changqing		August 2022	Company's 2022 Semi-annual Report and the deliberation on the Company's Report on the Review of Deposit and Use of the Raised Funds between March and June of 2022.	carried out its work diligently and conscientiously in strict accordance with the Company Law, the regulations of the China Securities Regulatory Commission, the Articles of Association, and the Rules of Procedure of the Board of Directors. It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.		
The Audit Committee under the Board	Zhang Guiping, Wang Ruihua, Xu Zhihao, Xu Peng, Ye Changqing	1	October 25 2022	The deliberation on the Company's Third Quarter Report for 2022 and the deliberation on the Company's Report on the Review of Deposit and Use of the Raised Funds of the Third Quarter of 2022.	The Audit Committee carried out its work diligently and conscientiously in strict accordance with the Company Law, the regulations of the China Securities Regulatory Commission, the Articles of Association, and the Rules of Procedure of the Board of Directors. It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.		
The Nomination Committee under the Board	Zhang Guiping, Wang Ruihua, Xu Zhihao, Liang Jinhui, Li Peihui	1	September 22 2022	The deliberation on the Proposal on the Nomination of the Senior Managers.	The Nomination Committee carried out its work diligently and conscientiously in strict accordance with the Company Law, the regulations of the China Securities Regulatory		

					<p><i>Commission, the Articles of Association, and the Rules of Procedure of the Board of Directors.</i> It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.</p>		
<p>The Nomination Committee under the Board</p>	<p>Zhang Guiping, Wang Ruihua, Xu Zhihao, Liang Jinhui, Li Peihui</p>	1	30 December 2022	<p>The deliberation on the <i>Proposal on the Formulation of the Competitive Selection System for the Company's Management Team.</i></p>	<p>The Nomination Committee carried out its work diligently and conscientiously in strict accordance with <i>the Company Law, the regulations of the China Securities Regulatory Commission, the Articles of Association, and the Rules of Procedure of the Board of Directors.</i> It put forward relevant opinions based on the reality of the Company. Upon full communication and discussion, all proposals were unanimously approved.</p>		
<p>The Remuneration and Appraisal Committee under the Board</p>	<p>Zhang Guiping, Wang Ruihua, Xu Zhihao, Zhou Qingwu, Yan Lijun</p>	1	30 December 2022	<p>The deliberation on the <i>Proposal on the Formulation of the Management Measures for the Remuneration and Appraisal of Members of the Company's Management Team.</i></p>	<p>The Remuneration and Appraisal Committee carried out its work diligently and conscientiously in strict accordance with <i>the Company Law, the regulations of the China Securities Regulatory Commission, the Articles of Association, and the Rules of Procedure of the Board of Directors.</i> It put forward relevant opinions based on the reality of the Company.</p>		

					Upon full communication and discussion, all proposals were unanimously approved.		
--	--	--	--	--	--	--	--

VIII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

IX Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	5,826
Number of in-service employees of major subsidiaries at the period-end	5,484
Total number of in-service employees	11,310
Total number of paid employees in the Reporting Period	11,310
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	1,511
Functions	
Function	Employees
Production	5,598
Sales	3,082
Technical	562
Financial	209
Administrative	1,039
Other	820
Total	11,310
Educational backgrounds	
Educational background	Employees
Master or above	130
Bachelor	3,133
Junior college	2,594

High school or below	5,453
Total	11,310

2. Employee Remuneration Policy

The remuneration policy was conducted strictly in line with the related law and regulations of the state, and the plan of operation performance and profits of the Company and the relevant remuneration policy management.

3. Employee Training Plans

Employee training is significant in the Human resource management. The Company always pay high attention to the employee training and development, the Company sets up effective training plan combining with the current situation of the Company, annual plan, nature of the post and the demand of employee learning, which includes new employee induction training, on-job training, front-line employee operating skills training, management improvement training and part-time study. Continuously improve the whole quality of the employees, realized a win-win situation and progress between the Company and the employees.

4. Labor Outsourcing

Applicable Not applicable

Total man-hours (hour)	3,001,960.66
Total remuneration paid (RMB)	63,419,131.05

X Profit Distributions (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, was formulated, executed or revised in the Reporting Period:

Applicable Not applicable

The 2021 Annual General Meeting held on 27 May 2022 reviewed and approved the Company's Interest Distribution Scheme in 2021 that based on the total shares of 528,600,000 of the Company on 31 December 2021, cash dividends was distributed at RMB22.00 per 10 shares (tax inclusive), and the total cash dividends distributed was RMB1,162,920,000.00 (tax inclusive), which has been carried out completely in June 2022.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with	No adjustments or changes

applicable regulations and transparent	
--	--

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to shareholders are positive.

Applicable Not applicable

Final dividend plan for the Reporting Period

Applicable Not applicable

Bonus issue from capital reserves for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	30.00
Bonus issue from profit for every 10 shares (share)	0
Total shares as the basis for the final dividend plan (share)	528,600,000
Total cash dividends (RMB) (tax inclusive)	1,585,800,000.00
Cash dividends in other ways (such as share repurchase) (RMB)	0.00
Total cash bonus (including other methods) (RMB)	1,585,800,000.00
Distributable profits (RMB)	9,691,022,921.78
Percentage of cash dividends (including other methods) to the total distributed profits	100.00%

Particulars about the cash dividends

If the Company is in a mature development stage and has plans for any significant expenditure, in profit allocation, the ratio of cash dividends in the profit allocation shall be 40% or above.

Details of final dividend plan for the Reporting Period

The Company intends to distribute RMB30.00 (tax included) per 10 shares based on the total shares of 528,600,000 at the end of the year, totaling RMB1,585,800,000.00. This year does not send bonus, does not transfer to increase capital stock with accumulation fund.

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

No such cases in the Reporting Period.

XII Establishment and Execution of the Internal Control System for the Reporting Period

1. Establishment and Execution of the Internal Control System

In accordance with the provisions of *the Basic Code for Internal Control of Enterprises* and its supporting guidelines, the Company has set up a complete procedure system for internal control system, in which the assessment incorporates the entities, business,

matters, and high risk fields, covering all major aspects of the Company's operation and management, without material omissions. The Company's internal control is designed soundly and reasonably, and basically implemented effectively, without material omissions. Through the operation, analysis, and assessment of the internal control system, the Company has effectively prevented risks in operation and management, and promoted the realization of internal control objectives.

2. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

XIII Management and Control over Subsidiaries by the Company for the Reporting Period

During the Reporting Period, In accordance with the relevant requirements for standard operation of listed companies, and the relevant internal control system of the Company, and by dispatching directors and supervisors to subsidiary companies, the Company participated in the daily operation of the Board of Directors and the Board of Supervisors, thus realized the effective management and supervision on such matters as overseas investment, related-party transactions, development planning, compliant operation, and human resources of subsidiary companies, specified the reporting system and deliberation procedure of major events, and in a timely manner, followed up such major events as financial status, business operation, and investment operation of subsidiary companies.

XIV Internal Control Self-Evaluation Report or Independent Auditor's Report on Internal Control

1. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	29 April 2023	
Index to the disclosed internal control self-evaluation report	See www.cninfo.com.cn for the Anhui Gujing Distillery Company Limited Self-assessment Report of Internal Control	
Evaluated entities' combined assets as % of consolidated total assets	98.07%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	99.76%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	Critical defect: Separate defect or other defects that result in failure in preventing, finding out and correcting major wrong reporting in financial report in time. The following circumstances are deemed as critical defects: (1) Ineffective in controlling the environment; (2) Malpractice of directors, supervisors and senior management officers;	Any of the following circumstances shall be deemed as a critical defect, and other circumstances shall be deemed as major or minor defects according to their degree of impact. (1) Violate national laws, regulations or standardized documents; (2) Major decision making procedure is

	<p>(3) According to external auditing, there's major wrong reporting in current financial report, which fails to be found by the company in its operating process; (4) Major defects found and reported to the top management fail to be corrected within a reasonable period of time; (5) The supervision of audit committee of the company and its internal audit department for internal control is ineffective;</p> <p>(6) Other defects that may affect correct judgment of users of statements. Major defect: Separate defect or other defects that result in failure in preventing, finding out and correcting wrong reporting in financial report in time, which shall be noted by the top management despite of not attaining or exceeding critical level. Minor defect: Other internal control defects not constituting critical or major defects.</p>	<p>not scientific;</p> <p>(3) Lack of systems results in systematic failure;</p> <p>(4) Critical or major defects fail to be rectified;</p> <p>(5) Other circumstances that have major impact on the company.</p>
<p>Quantitative standard</p>	<p>Critical defect:</p> <p>(1) Wrong reporting $\geq 0.5\%$ of total operating revenue;</p> <p>(2) Wrong reporting $\geq 5\%$ of total profit;</p> <p>(3) Wrong reporting $\geq 0.5\%$ of total assets;</p> <p>(4) Wrong reporting $\geq 0.5\%$ of total owner's equity.</p> <p>Major defect:</p> <p>(1) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total operating revenue;</p> <p>(2) Wrong reporting $\geq 2\%$ but $< 5\%$ of total profit;</p> <p>(3) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total assets;</p> <p>(4) Wrong reporting $\geq 0.2\%$ but $< 0.5\%$ of total owner's equity.</p> <p>Minor defect:</p> <p>(1) Wrong reporting $< 0.2\%$ of total operating revenue;</p> <p>(2) Wrong reporting $< 2\%$ of total profit;</p> <p>(3) Wrong reporting $< 0.2\%$ of total assets;</p> <p>(4) Wrong reporting $< 0.2\%$ of total owner's</p>	<p>Critical defect: The defect with direct property loss amounting to over RMB10 million, has great negative impact on the company and is disclosed in public in the form of announcement.</p> <p>Major defect: The defect with direct property loss amounting to RMB1 million to RMB10 million (included), or is penalized by governmental authority of the country but has not resulted in negative impact on the company.</p> <p>Minor defect: The defect with direct property loss no more than RMB1 million (included), or is penalized by governmental authority of the provincial-level or below but has not resulted in negative impact on the company.</p>

	equity.	
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

2. Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control	
We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 December 2022.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	29 April 2023
Index to such report disclosed	See www.cninfo.com.cn for Audit Report of Internal Control
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes No

XV Rectifications of Problems Identified by Self-inspection in the Special Action for Listed Company Governance

After a comprehensive self-examination, the company adheres to the combination of party leadership and corporate governance in its operations, has a sound internal governance mechanism, a sound governance system, and transparent information disclosure, in accordance with relevant laws, regulations, and normative documents.

Part V Environmental and Social Responsibility

I Major Environmental Issues

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China.

Yes No

Policies and industry standards pertaining to environmental protection

The Company carries out environmental protection work in strict accordance with the requirements of laws and regulations such as "Environmental Protection Law of the People's Republic of China", "Air Pollution Prevention and Control Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Solid Waste Pollution Prevention and Control Law of the People's Republic of China" and other laws and regulations, and strictly follows the "Management Measures for the Disclosure of Enterprise Environmental Information According to Law" and "Measures for Self-monitoring and Information Disclosure of National Key Monitoring Enterprises (Trial)". The Company discloses environmental information in a timely manner and consciously accepts social supervision. The Company implements the Emission Standards for Air Pollutants from Boilers (GB13271-2014), Water Pollution Emission Standards for Fermented Alcohol and Baijiu Industry (GB27631-2011) and Environmental Noise Emission Standards for Industrial Enterprises (GB12348-2008) and other relevant standards.

Environmental protection administrative license

No.	Administrative matter	Serial number	Application time	Expiry date
1	Sewage discharge permit for Gujing plant	913400001519400083001V	19 July 2022	18 July 2027
2	Sewage discharge permit for Zhangji plant	913400001519400083002V	19 July 2022	18 July 2027
3	Sewage discharge permit for Headquarter plant	913400001519400083003V	19 July 2022	18 July 2027
4	Sewage discharge permit for smart part plant	913400001519400083004V	17 October 2022	16 October 2027
5	Sewage discharge permit for Longrui Glass	91341600151946047T001U	24 July 2020	23 July 2023
6	Sewage discharge permit for Yellow Crane Tower (Xianning)	91421200562735332N001V	13 December 2022	12 December 2027

The regulations for industrial emissions and the particular requirements for controlling pollutant emissions those are associated with production and operational activities.

Name of polluter	Type of major pollutants	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Anbui Gujing Distillery	Waste water	COD	Directly discharge	3	Gujing plant, Zhangji plant, Headquarter	15.13mg/L 24.98mg/L 12.06mg/L	Gujing plant ≤ 50mg/L	Gujing plant: 13.31t Zhangji	Gujing plant: 105.916t Zhangji plant:	Naught

Co., Ltd.					plant		Zhangji plant、Headquarter plant ≤ 100 mg/L	plant: 6.03t Headquarter plant: 21.17t	26.504t Headquarter plant: 116.0596t	
Anbui Gujing Distillery Co., Ltd.	Waste water	NH3-N	Directly discharge	3	Gujing plant, Zhangji plant, Headquarter plant	0.27mg/L 0.18mg/L 0.09mg/L	Gujing plant ≤ 5 mg/L Zhangji plant、Headquarter plant ≤ 10 mg/L	Gujing plant: 0.24t Zhangji plant: 0.04t Headquarter plant: 0.15t	Gujing plant: 10.5916t Zhangji plant: 2.6504t Headquarter plant: 11.60596t	Naught
Anbui Gujing Distillery Co., Ltd.	Waste gas	Smoke	Organized discharge through chimney	3	Gujing plant, Zhangji plant, Headquarter plant	1.4mg/m ³ 1.22mg/m ³ 1.30mg/m ³	Gujing plant、Headquarter plant ≤ 10 mg/m ³ Zhangji plant ≤ 20 mg/m ³	Gujing plant: 0.425t Zhangji plant: 0.39t Headquarter plant: 0.55t	Gujing plant: 4.301t Zhangji plant: / Headquarter plant: 5.01t	Naught
Anbui Gujing Distillery Co., Ltd.	Waste gas	Sulfur Dioxide	Organized discharge through chimney	3	Gujing plant, Zhangji plant, Headquarter plant	7.07mg/m ³ 0.33mg/m ³ 0.79mg/m ³	Gujing plant、Headquarter plant ≤ 35 mg/m ³ Zhangji plant ≤ 50 mg/m ³	Gujing plant: 2.15t Zhangji plant: 0.01t Headquarter plant: 0.33t	Gujing plant: 15.055t Zhangji plant: / Headquarter plant: 17.536t	Naught
Anbui Gujing Distillery Co., Ltd.	Waste gas	Nitrogen oxide	Organized discharge through chimney	3	Gujing plant, Zhangji plant, Headquarter plant	18.56mg/m ³ 28.35mg/m ³ 22.46mg/m ³	Gujing plant、Headquarter plant ≤ 50 mg/m ³ Zhangji plant ≤ 150 mg/m ³	Gujing plant: 5.65t Zhangji plant: 0.90t Headquarter plant: 9.54t	Gujing plant: 21.056t Zhangji plant: 10.318t Headquarter plant: 25.051t	Naught
Anhui Longrui Glass Co., Ltd	Waste gas	Smoke	Organized discharge through chimney	2	1# furnace 2# furnace	2.62mg/m ³ 1.83mg/m ³	≤ 10 mg/m ³	1#furnace: 0.36t 2#furnace: 0.57t	/	Naught

Anhui Longrui Glass Co., Ltd	Waste gas	Sulfur Dioxide	Organized discharge through chimney	2	1# furnace 2# furnace	18.06mg/m ³ 11.36mg/m ³	≅ 50mg/m ³	1#furnace: 2.55t 2#furnace: 3.78t	/	Naught
Anhui Longrui Glass Co., Ltd	Waste gas	Nitrogen oxide	Organized discharge through chimney	2	1# furnace 2# furnace	82.31mg/m ³ 70.53mg/m ³	≅ 200mg/m ³	1#furnace : 11.50t 2#furnace : 24.00t	/	Naught
Yellow Crane Tower Wine Industry (Xianning) Co., Ltd	Waste water	COD	Indirectly discharge	1	Xianning plant	15.89mg/L	≅ 400mg/L	0.156t	6t	Naught
Yellow Crane Tower Wine Industry (Xianning) Co., Ltd	Waste water	NH3-N	Indirectly discharge	1	Xianning plant	0.40 mg/L	≤30mg/L	0.004t	1t	Naught

Treatment of pollutants

1. Sewage treatment

(1) The sewage treatment capacity of the sewage treatment station of the headquarters of Anhui Gujing Distillery Co., Ltd is about 4,300 tons per day. IC anaerobic jar, A²/O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Baijiu Industry.

(2) The sewage treatment capacity of the sewage treatment station of Gujing Subsidiary under Anhui Gujing Distillery Co., Ltd is about 2,600 tons per day. IC anaerobic jar, A²/O and in-depth treatment process is adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Baijiu Industry.

(3) The sewage treatment capacity of the sewage treatment station of Zhangji plant of Anhui Gujing Distillery Co., Ltd is about 550 tons per day. IC anaerobic jar, improved A²/O and in-depth treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the direct discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Baijiu Industry.

(4) The production and living sewage of Anhui Longrui Glass Co., Ltd is discharged into the sewage treatment station of Zhangji Plant under Anhui Gujing Distillery Company Limited, and it is discharged after treatment and up to the standard.

(5) The design value of the sewage treatment capacity of the sewage treatment station of Yellow Crane Tower (Xianning) is 100 tons per day and the actual average discharge value is 33 tons per day. Secondary A/O treatment process has been adopted. The sewage is discharged after treatment and up to the standard, and discharge of sewage is in compliance with the indirect discharge requirements in GB27631-2011 Discharge Standard of Water Pollutants for Fermentation Alcohol and Baijiu Industry.

2. Waste gas treatment

(1) The flue gas control facilities of thermal power stations of the Headquarters and Gujing Subsidiary of Anhui Gujing Distillery Company Limited run well, and waste gas is discharged through the 65-meter-tall exhaust funnel after the waste gas treatment is up to the standard, adopting the process of cloth-bag dust removal + Limestone - Wet flue gas Desulfurization+ SNCR Denitrification by non-catalytic reduction + SCR Denitrification by catalytic reduction + Wet electrostatic precipitator, and discharge of flue gas meets the super-low discharge requirements (smoke $\leq 10\text{mg}/\text{m}^3$, $\text{SO}_2 \leq 35\text{mg}/\text{m}^3$, $\text{NO}_x \leq 50\text{mg}/\text{m}^3$).

(2) The gas-fired boilers at Zhangji Plant under Anhui Gujing Distillery Company Limited operate in a steady manner, and waste gas is discharged through the 20-meter-tall exhaust funnel, of which and discharge of flue gas meets the requirements for gas-fired boiler in GB13271-2014 Emission Standard of Air Pollutants for Industrial Kiln and Furnace.

(3) 1#, 2# furnace flue gas treatment facilities of Anhui Longrui Glass Co., Ltd. are operating well. For 1# furnace, the company uses bag dust removal + dry desulfurization + SCR catalytic reduction denitrification process. After it meets the standard, the exhaust gas will be discharged through a 48-meter high exhaust pipe. The flue gas emission is in line with the glass industry A-class enterprise emission requirements as set out in *Technical Guide for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather* (soot $\leq 10\text{ mg}/\text{m}^3$, $\text{SO}_2 \leq 50\text{ mg}/\text{m}^3$, $\text{NO}_x \leq 200\text{ mg}/\text{m}^3$). For 2# furnace, the company adopts bag dust removal + desulfurization tank + SCR low-temperature denitrification process, and the exhaust gas is discharged through a 50-meter high exhaust pipe after it meets the standard. The flue gas emission meets the glass industry A-class enterprise emission requirements as set out in *Technical Guide for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather* (soot $\leq 10\text{ mg}/\text{m}^3$, $\text{SO}_2 \leq 50\text{mg}/\text{m}^3$, $\text{NO}_x \leq 200\text{ mg}/\text{m}^3$).

(4) The Headquarter of Anhui Gujing Distillery Company Limited and Gujing Branch finished product coding machine exhaust gas treatment facilities are operating well. By adopting photocatalytic oxidation technology, the Company's flue gas emissions comply with the Table 1 standard requirements of DB12/524-2014 Emission Standard for Industrial Enterprises Volatile Organic Compounds.

(5) The Headquarters of Anhui Gujing Distillery Company Limited and the odor treatment facilities of Zhangji Sewage Station are operating well. By adopting technologies like photocatalytic oxidation and activated carbon adsorption, and the Company's emission of exhaust gas meets the requirements of Table 2 of the Standard for Emission of Pollutants.

In 2022, the environment protection facilities of the Company and its subsidiaries ran normally in general, main pollutants can achieve up-to-standard discharge, environment information is opened to the public normally, and they have performed their social responsibilities properly.

Emergency plan for sudden environment affairs

The Company has formulated the Emergency Plan of Anhui Gujing Distillery Company Limited for Sudden Environmental Pollution Accident, which has been filed with Bureau of Ecology and Environment of Bozhou (File No. 341602-2021-006-H). Emergency plan drills have been carried out as planned.

Anhui Longrui Glass Co., Ltd has formulated the Emergency Plan of Anhui Longrui Glass Co., Ltd for Sudden Environmental Pollution Accident, which has been filed with Bureau of Ecology and Environment of Bozhou (File No. 341602-2021-006-M). Emergency plan drills have been carried out as planned.

Environmental self-monitoring scheme

Anhui Gujing Distillery Co., Ltd. has formulated the Self-Monitoring Scheme of Anhui Gujing Distillery Company Limited and published it on the relevant website of Anhui Province.

Anhui Longrui Glass Co., Ltd has formulated the Self-Monitoring Scheme of Anhui Longrui Glass Co., Ltd and published it on the relevant website of Anhui Province.

Input in environment governance and protection and payment of environmental protection tax

In 2022, the input in environment governance and protection for the Company and its subsidiaries was RMB69.2409 million and payment of environmental protection tax was RMB142,800.

Measures taken to decrease carbon emission in the Reporting Period and corresponding effects

Applicable Not applicable

1. Balanced production of thermal power plant: In order to improve the operation efficiency of a boiler, and reduce carbon emission, balanced production was conducted in Gujing plant area. After the execution of balanced production, the efficiency of coal burning was increased by 13% year on year. Calculated on the basis of the coal consumption, fire coal was conserved by approximately 3,000 tons year on year, converted to the standard coal of 2,140 tons, and carbon dioxide emission was reduced by approximately 5,000 tons.

2. Intensified power conservation of the Company: (1) The Company organized 440 battery-driven vehicles of various types and various entities for peak-shifting charge. (2) The Company conserved power in offices, sufficiently utilized natural light, and prohibited lamps from shining all the time, replaced lamps in passageways with sound-controlled types, and strictly implemented the requirements of temperature setting on air-conditioners. (3) The Company conserved power used by street lamps, and strictly specified turn-off and turn-on time; through the above-mentioned measures, power wasted in offices has been greatly reduced, which has played an active role in the energy conservation and carbon reduction of the Company.

Administrative penalties imposed for environmental issues during the Reporting Period

Name	Reason	Case	Result	Influence on production and operation	Rectification measures
Naught	N/A	N/A	N/A	N/A	N/A

Other environment information that should be disclosed

Naught

Other related environment protection information

Naught

II Social Responsibility

For details, please refer to the Corporate Environmental, Social and Governance (ESG) Report for 2022 disclosed by the Company on the website Cninfo dated 29 April 2023.

III Consolidation and Expansion of Poverty Alleviation Outcomes, and Rural Revitalization

The Company continued to conduct rural assistance based on the principle of “institutions target villages and individuals target villagers”, paid regular care to residents in Wuma Town who had overcome poverty, and timely supported the effective coordination between the consolidation of the achievements of poverty alleviation and rural revitalization. The Company contributed to the rural revitalization in Hongguang Village of Lixin County by regularly conducting visits, investigations, interviews and communication activities. The Company organized employees to place orders for agricultural products, such as Shanghai bok choy from Hongguang Village of Lixin County, grape from Xiao County, “Qiu Yue” pear from Lide Town and walnut from Xinjiang, as well as to make donations to two poverty-stricken residents in Dancheng Town and Qingtuan Town of Guoyang County and the community canteens for elderly people there.

Part VI Significant Events

I Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

Applicable Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in acquisition documents or shareholding alteration documents	Anhui Gujing Distillery Company Limited	Performance commitment	The Company promised that Yellow Crane Tower Distillery Co., Ltd. would realize the operating revenue of RMB2,040,675,000 (tax inclusive) and the net profit margin would be not lower than 11.00% in 2022.	29 April 2016	Y2017-Y2021	Complete the performance commitment of the supplementary agreement in 2022.
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)	Due to the force majeure, in 2020, market trading activities were seriously affected, resulting in part of the terms of the original agreement unable to be fulfilled on schedule. To this end, upon consultation by all parties, the <i>Supplementary Agreement on Equity Transfer</i> was entered into. For the commitments in respect of net sales interest rate, net sales profit and expected distributable profit of Yellow Crane Tower, the assessment period has been extended by one year from the execution date of the Supplementary Agreement. In other words, the year 2020 will not be regarded as the assessment year, and 2021 will be taken as the fourth assessment year and 2022 as the fifth assessment year.					

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

Applicable Not applicable

II Occupation of the Company's Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

Applicable Not applicable

III Irregularities in the Provision of Guarantees

Applicable Not applicable

IV Explanations Given by the Board of Directors Regarding the Latest "Modified Opinion" on the Financial Statements

Applicable Not applicable

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable Not applicable

VI YoY Changes to Accounting Policies, Estimates or Correction of Material Accounting Errors

Applicable Not applicable

VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

Name of subsidiary	Principal place of business	Registered place	Nature of the business	Stake (%)		Make way
				Directly	Indirect	
Anhui Gujing Health Technology Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Manufacturing	60.00		Business combination not under the same control
Anhui Maiqi Biotechnology Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Technological development		60.00	Business combination not under the same control
Anhui Yangshengtianxia Brand	Hefei,	Hefei,	Advertising		60.00	Business

Name of subsidiary	Principal place of business	Registered place	Nature of the business	Stake (%)		Make way
				Directly	Indirect	
Operation Co., Ltd.	Anhui	Anhui	marketing			combination not under the same control
Hainan Yangshengtianxia Biotechnology Development Co., Ltd.	Lingshui, Hainan	Lingshui, Hainan	Trade and business		60.00	Business combination not under the same control
Anhui Gujinggong Liquor Original Vintage Theme Hotel Management Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Hotel operation	100.00		Incorporated with investment
Anhui Anjie Technology Co., Ltd.	Bozhou, Anhui	Bozhou, Anhui	Food testing		70.00	Incorporated with investment
Huanggang Junya Trading Co., Ltd.	Huanggang, Hubei	Huanggang, Hubei	Trade and business		51.00	Incorporated with investment

VIII Engagement and Disengagement of Independent Auditor

Current independent auditor

Name of the domestic independent auditor	RSM Certified Public Accountants (LLP)
The Company's payment to the domestic independent auditor (RMB'0,000)	200.00
How many consecutive years the domestic independent auditor has provided audit service for the Company	4
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Zhang Liping, Han Songliang, Yang Fan
How many consecutive years the certified public accountants have provided audit service for the Company	2 years for Zhang Liping and Han Songliang, 1 year for Yang Fan

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes No

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable Not applicable

In 2022, the Company engaged RSM Certified Public Accountants (LLP) as the internal control auditor

IX Possibility of Delisting after Disclosure of this Report

Applicable Not applicable

X Insolvency and Reorganization

Applicable Not applicable

XI Major Legal Matters

Applicable Not applicable

XII Punishments and Rectifications

Applicable Not applicable

XIII Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable Not applicable

XIV Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

4. Credits and Liabilities with Related Parties

Applicable Not applicable

5. Transactions with Related Finance Companies

Applicable Not applicable

6. Transactions with Related Parties by Finance Companies Controlled by the Company

Applicable Not applicable

7. Other Major Related-Party Transactions

Applicable Not applicable

XV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

(2) Contracting

Applicable Not applicable

(3) Leases

Applicable Not applicable

2. Major Guarantees

Applicable Not applicable

3. Cash Entrusted for Wealth Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue balance	Unrecovered overdue amount	Unrecovered overdue amount with provision for impairment
Bank financial products	Raised funds	442,000.00	0.00	0.00	0.00
Bank financial products	Self-owned funds	481,500.00	155,000.00	0.00	0.00
Others	Self-owned funds	20,000.00	20,000.00	0.00	0.00
Total		943,500.00	175,000.00	0.00	0.00

Particulars of cash entrusted for wealth management with single significant amount or low security, bad liquidity, and no capital preservation

Unit: RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Capital resource	Start date	End date	Use of fund	Determination method of remuneration	Annual yield for reference	Estimate profit (if any)	Amount of actual profit or loss in Reporting Period	Actual recovery of profit or loss in Reporting Period	Allowance for impairment (if any)	Legal procedures or not	Plan for entrusted asset management in the future or not	Overviews of events and query index (if any)
DAPU Asset Management	Private fund manager	Fund	20,000	Self-funded			Purchasing new shares offline, products with fixed earnings, reverse repurchase of national debt, and etc.	1.2% of products' net value and 20% of excess earnings	7.00%		0.00			Yes	Yes	
Total			20,000	--	--	--	--	--	--		0.00	--		--	--	--

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for cash entrusted for wealth management

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

4. Other Major Contracts

Applicable Not applicable

XVI Other Significant Events

Applicable Not applicable

XVII Significant Events of Subsidiaries

Applicable Not applicable

Part VII Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	25,000,000	4.73%				-25,000,000	-25,000,000	0	0.00%
1. Shares held by the state									
2. Shares held by state-owned corporations	1,900,000	0.36%				-1,900,000	-1,900,000	0	0.00%
3. Shares held by other domestic investors	21,600,000	4.09%				-21,600,000	-21,600,000	0	0.00%
Among which: Shares held by domestic corporations	21,600,000	4.09%				-21,600,000	-21,600,000	0	0.00%
Shares held by domestic individuals									
4. Shares held by foreign investors	1,500,000	0.28%				-1,500,000	-1,500,000	0	0.00%
Among which: Shares held by foreign corporations	1,500,000	0.28%				-1,500,000	-1,500,000	0	0.00%
Shares held by foreign individuals									
II. Non-restricted shares	503,600,000	95.27%				25,000,000	25,000,000	528,600,000	100.00%
1. RMB ordinary shares	383,600,000	72.57%				25,000,000	25,000,000	408,600,000	77.30%
2. Domestically listed foreign shares	120,000,000	22.70%				0	0	120,000,000	22.70%
3. Overseas listed foreign shares									
4. Other									

III. Total shares	528,600,000	100.00%				0	0	528,600,000	100.00%
-------------------	-------------	---------	--	--	--	---	---	-------------	---------

Reasons for share changes:

Applicable Not applicable

A total of 25,000,000 new shares of the Company non-publicly offered in 2021 were listed on Shenzhen Stock Exchange on 22 July 2021. They were relieved on 24 January 2022 and could be traded on the market thereafter. For details, please refer to the *Suggestive Announcement on the Listing and Circulation of Restricted Non-publicly Offered Shares (2022-002)* disclosed by the Company.

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: Share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares increased of the period	Restricted shares relieved of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
JPMorgan Chase Bank, National Association	750,000	0	750,000	0	Private placement	22 January 2022
Guotai Junan Securities Co., Ltd.	1,125,000	0	1,125,000	0	Private placement	22 January 2022
E Fund Management Co., Ltd.	12,750,000	0	12,750,000	0	Private placement	22 January 2022
Caitong Fund Management Co., Ltd.	1,130,000	0	1,130,000	0	Private placement	22 January 2022
Taiping Fund Management Company Limited	750,000	0	750,000	0	Private placement	22 January 2022
Fullgoal Fund Management Co., Ltd.	1,275,000	0	1,275,000	0	Private placement	22 January 2022

Huatai Securities Co., Ltd.	775,000	0	775,000	0	Private placement	22 January 2022
Huatai Securities Asset Management Co., Ltd.	750,000	0	750,000	0	Private placement	22 January 2022
ICBC Credit Suisse Asset Management Co., Ltd.	2,150,000	0	2,150,000	0	Private placement	22 January 2022
Morgan Stanley & Co. International Plc	750,000	0	750,000	0	Private placement	22 January 2022
China Life Asset Management Co., Ltd.	750,000	0	750,000	0	Private placement	22 January 2022
China Merchants Fund Management Co., Ltd.	2,000,000	0	2,000,000	0	Private placement	22 January 2022
China Universal Asset Management Co., Ltd.	45,000	0	45,000	0	Private placement	22 January 2022
Total	25,000,000	0	25,000,000	0	--	--

II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary	24,083	Number of ordinary	22,731	Number of preferred	0	Number of preferred	0
--------------------	--------	--------------------	--------	---------------------	---	---------------------	---

shareholders		shareholders at the month-end prior to the disclosure of this Report		shareholders with resumed voting rights (if any) (see note 8)		shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)		
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Non-restricted shares held	Shares in pledge, marked or frozen	
							Status	Shares
ANHUI GUJING GROUP COMPANY LIMITED	State-owned legal person	51.21%	270,701,422			270,701,422	In pledge	114,000,000
BANK OF CHINA-CHINA MERCHANTS CHINA SECURITIES BAIJIU INDEX CLASSIFICATION SECURITIES INVESTMENT FUND	Other	2.23%	11,789,208			11,789,208		
GAOLING FUND,L.P.	Foreign legal person	2.02%	10,684,222			10,684,222		
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED-INVESCO GREAT WALL EMERGING GROWTH HYBRID	Other	1.89%	9,999,951			9,999,951		

SECURITIES INVESTMENT FUND								
AGRICULTURAL BANK OF CHINA — E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	Other	1.89%	9,989,282			9,989,282		
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LTD	Foreign legal person	1.39%	7,356,308			7,356,308		
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign legal person	1.35%	7,138,919			7,138,919		
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	Foreign legal person	1.30%	6,896,661			6,896,661		
BANK OF CHINA-INVESCO GREAT WALL DINGYI HYBRID SECURITIES INVESTMENT FUND (LOF)	Other	0.95%	5,017,603			5,017,603		
GREENWOODS CHINA ALPHA MASTER FUND	Foreign legal person	0.87%	4,614,326			4,614,326		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	N/A							
Related or acting-in-concert parties	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group							

among the shareholders above	Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A		
Special account for share repurchases (if any) among the top 10 shareholders (see note 10)	N/A		
Top 10 non-restricted shareholders			
Name of shareholder	Non-restricted shares held at the period-end	Shares by type	
		Type	Shares
ANHUI GUJING GROUP COMPANY LIMITED	270,701,422	RMB-denominated ordinary share	270,701,422
BANK OF CHINA-CHINA MERCHANTS CHINA SECURITIES BAIJIU INDEX CLASSIFICATION SECURITIES INVESTMENT FUND	11,789,208	RMB-denominated ordinary share	11,789,208
GAOLING FUND,L.P.	10,684,222	Domestically listed foreign share	10,684,222
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED- INVESCO GREAT WALL EMERGING GROWTH HYBRID SECURITIES INVESTMENT FUND	9,999,951	RMB-denominated ordinary share	9,999,951
AGRICULTURAL BANK OF CHINA — E FUND CONSUMPTION SECTOR STOCK SECURITIES INVESTMENT FUND	9,989,282	RMB-denominated ordinary share	9,989,282
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LTD	7,356,308	Domestically listed foreign share	7,356,308

HONG KONG SECURITIES CLEARING COMPANY LTD.	7,138,919	RMB-denominated ordinary share	7,138,919
UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (USD)	6,896,661	Domestically listed foreign share	6,896,661
BANK OF CHINA- INVESCO GREAT WALL DINGYI HYBRID SECURITIES INVESTMENT FUND (LOF)	5,017,603	RMB-denominated ordinary share	5,017,603
GREENWOODS CHINA ALPHA MASTER FUND	4,614,326	Domestically listed foreign share	4,614,326
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Among the shareholders above, the Company's controlling shareholder—Anhui Gujing Group Company Limited—is not a related party of other shareholders; nor are they parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies. As for the other shareholders, the Company does not know whether they are related parties or whether they belong to parties acting in concert as defined in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	Since October 2021, the Company's controlling shareholder Gujing Group has conducted the business of "Refinancing by Lending Securities", and as of 31 December 2022, 702,600 lent shares were outstanding with no transfer of the ownership of these shares.		

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: controlled by a local state-owned legal person

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
ANHUI GUJING GROUP COMPANY LIMITED	Liang Jinhui	16 January 1995	91341600151947437P	Making beverage, construction materials and plastic products, etc.
Controlling shareholder's holdings in other listed companies at home or abroad in the Reporting Period	As of 31 December 2022, the controlling shareholder ANHUI GUJING GROUP COMPANY LIMITED directly holds 130,000,000 shares of Huaan Securities Co., Ltd. owning the proportion of shares of 2.77%.			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Information about the Actual Controller and Acting-in-concert Parties

Nature of the actual controller: Local administrator for state-owned assets

Type of the actual controller: legal person

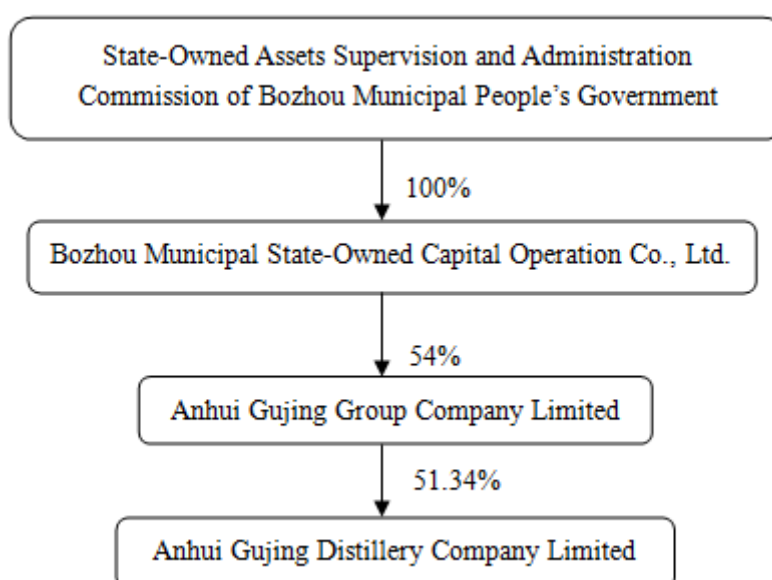
Name of actual controller	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
State-owned Assets Supervision and Administration Commission of the People's Government of Bozhou	Zhao Liang	N/A	113416007316875206	N/A
Other listed companies at home or abroad controlled by the actual controller in the Reporting Period	N/A			

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. Number of Accumulative Pledged Shares held by the Company's Controlling Shareholder or the Largest Shareholder as well as Its Acting-in-Concert Parties Accounts for 80% of all shares of the Company held by Them

Applicable Not applicable

5. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

6. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

IV Specific Implementation of Share Repurchase during the Reporting Period

Progress on any share repurchase

Applicable Not applicable

Progress on reducing the repurchased shares by means of centralized bidding

Applicable Not applicable

Part VIII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Part IX Bonds

Applicable Not applicable

Part X Financial Statements

I Independent Auditor's Report

Type of auditor's opinion	Unmodified unqualified opinion
Date of signing the auditor's report	28 April 2023
Name of the auditor	RSM China
No. of the auditor's report	Rongcheng audit character [2023] 518Z0295
Name of CPA	Zhang Liping, Han Songliang, Yang Fan

Text of the Auditor's Report

To the Shareholders of Anhui Gujing Distillery Company Limited:

I. Opinion

We have audited the financial statements of Anhui Gujing Distillery Co., Ltd. (hereafter referred to as "Anhui Gujing"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2022, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Anhui Gujing's financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing (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 Anhui Gujing in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

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

(I) Revenue recognition

1. Description

Refer to notes to the consolidated financial statements "3. 27. Revenue" and "5. 38. Revenue and Cost of Sales".

In 2022, the Company achieved revenue of RMB16.713 billion, an increase of 25.95% compared with the same period in 2021. As revenue is one of the key performance indicators of the company, there may be the risk of material misstatement in whether the revenue is recognized in an appropriate accounting period. Therefore, we regard revenue recognition as a key audit matter.

2. Audit response

Our procedures for revenue recognition include:

- (1) Understand the internal control process design related to the sales business, and execute the walk-through test, perform the control test on the identified key control points;
- (2) Interview with the management, check the samples of sales contract, analyze the significant risk and reward transferring point related to revenue recognition of baijiu sales, and then evaluate whether the company's sales revenue recognition policy is reasonable;
- (3) Sampling inspection of supporting documents related to baijiu sales revenue recognition, including sales orders, sales invoices, outbound orders, etc.;
- (4) Compared with the baijiu sales data of other enterprises in the same industry, compared the liquor sales data of the last period with the current period, analyzed the overall rationality of revenue and gross margin;
- (5) For the baijiu sales revenue recognized before and after the balance sheet date, select samples to check the sales orders, sales invoices, outbound orders, etc., in order to evaluate whether the sales revenue is recorded in an appropriate accounting period;
- (6) Confirm the amount of baijiu sold and the closing balance of the advance payment to the main distributor by sending confirmation letter.

(II) Accuracy of inventory balances

1. Description

Refer to notes to the consolidated financial statements "3 12. Inventory" and "5. 7. Inventory".

Anhui Gujing has a large inventory balance and needs to maintain an appropriate level of inventory to meet future market or production demand. The inventory balance accounts for 20.34% of the Company's total assets, and most of the inventory is semi-finished products and work in progress products. As the most important asset of baijiu production enterprises, inventory has a high balance at the end of the year and a large proportion of the total assets. Therefore, we regard the accuracy of the Company's inventory balance as a key audit matter.

2. Audit response

Our procedures for the accuracy of inventory balances include:

- (1) Understand the internal control process design related to inventory business, and carry out walk-through test, carry out control tests for identified key control points;
- (2) Obtain the stocktaking plan and stocktaking results of the company, understand the stocktaking methods and review procedures of the company, and supervise the stocktaking;
- (3) Understand the company's inventory cost accounting method, select several months of cost calculation sheet to review, and select the main categories of inventory to carry out valuation test;
- (4) To understand the provision method of the company's inventory impairment, evaluate the appropriateness of the provision method, and review whether the provision amount is correct;
- (5) Perform analytical procedures and compare with companies in the same industry.

IV. Other information

Management of Anhui Gujing is responsible for the other information. The other information comprises the information included in the Annual Report of Anhui Gujing for the year of 2022, but does not include 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.

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

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

In preparing the financial statements, management is responsible for assessing Anhui Gujing'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 Anhui Gujing or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Anhui Gujing's financial reporting process.

VI. 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.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism 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 management.
4. Conclude on the appropriateness of management's use of the going concern 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 Anhui Gujing'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 Anhui Gujing to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, 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 Anhui Gujing to express an 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.

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 to 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 current period 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.

RSM China CPA LLP

[Name of CPA]: Zhang Liping

China·Beijing

[Name of CPA]: Han Songliang

[Name of CPA]: Yang Fan

28 April 2023

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by Anhui Gujing Distillery Company Limited

31 December 2022

Unit: RMB

Item	31 December 2022	1 January 2022
Current assets:		
Monetary assets	13,772,561,141.30	11,924,922,771.76
Settlement reserve		
Interbank loans granted		
Held-for-trading financial assets	1,782,687,769.66	2,661,103,876.68
Derivative financial assets		
Notes receivable		
Accounts receivable	62,688,668.94	89,005,804.17
Accounts receivable financing	217,419,441.32	545,204,103.42
Prepayments	233,995,661.69	156,570,970.99
Premiums receivable		
Reinsurance receivables		
Receivable reinsurance contract reserve		
Other receivables	73,337,415.74	71,753,212.24
Including: Interest receivable		
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	6,058,106,090.88	4,663,456,672.30
Contract assets	1,855,188.15	0.00
Assets held for sale		
Current portion of non-current assets		
Other current assets	125,568,725.51	178,222,222.56
Total current assets	22,328,220,103.19	20,290,239,634.12
Non-current assets:		
Loans and advances to customers		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	10,154,235.98	5,312,600.78

Investments in other equity instruments	56,447,789.94	54,542,418.50
Other non-current financial assets		
Investment property	13,396,881.96	4,075,801.06
Fixed assets	2,741,844,586.30	1,984,063,975.87
Construction in progress	2,454,703,251.44	1,064,134,904.21
Productive living assets		
Oil and gas assets		
Right-of-use assets	32,562,171.10	43,927,228.97
Intangible assets	1,108,125,157.05	1,063,468,842.61
Development costs		
Goodwill	561,364,385.01	561,364,385.01
Long-term prepaid expense	51,012,977.31	55,908,338.03
Deferred income tax assets	425,120,227.37	283,828,000.24
Other non-current assets	6,870,532.00	7,220,318.40
Total non-current assets	7,461,602,195.46	5,127,846,813.68
Total assets	29,789,822,298.65	25,418,086,447.80
Current liabilities:		
Short-term borrowings	83,232,176.31	30,035,138.89
Borrowings from the central bank		
Interbank loans obtained		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	695,740,000.00	127,114,336.16
Accounts payable	2,054,063,559.15	1,020,437,321.89
Advances from customers		
Contract liabilities	826,636,478.35	1,825,447,705.85
Financial assets sold under repurchase agreements		
Customer deposits and interbank deposits		
Payables for acting trading of securities		
Payables for underwriting of securities		
Employee benefits payable	795,138,305.63	709,671,787.74
Taxes payable	1,205,028,130.02	873,270,986.71
Other payables	3,261,763,838.80	2,280,937,078.12
Including: Interest payable		
Dividends payable		
Handling charges and commissions payable		

Reinsurance payables		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities	42,237,345.11	13,190,399.32
Other current liabilities	1,044,664,441.58	799,522,562.60
Total current liabilities	10,008,504,274.95	7,679,627,317.28
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings	44,944,737.91	172,356,255.83
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	18,631,395.93	28,107,223.18
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	103,714,978.95	91,101,512.05
Deferred income tax liabilities	281,173,154.70	194,033,257.93
Other non-current liabilities		
Total non-current liabilities	448,464,267.49	485,598,248.99
Total liabilities	10,456,968,542.44	8,165,225,566.27
Owners' equity:		
Share capital	528,600,000.00	528,600,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	6,224,747,667.10	6,224,747,667.10
Less: Treasury stock		
Other comprehensive income	408,739.61	-2,735,058.19
Specific reserve		
Surplus reserves	269,402,260.27	269,402,260.27
General reserve		
Retained earnings	11,497,599,306.54	9,517,374,574.46
Total equity attributable to owners of the Company as the parent	18,520,757,973.52	16,537,389,443.64
Non-controlling interests	812,095,782.69	715,471,437.89
Total owners' equity	19,332,853,756.21	17,252,860,881.53
Total liabilities and owners' equity	29,789,822,298.65	25,418,086,447.80

Legal representative: Liang Jinhui

The Company's chief accountant: Zhu Jiafeng

Head of the Company's financial department: Zhu Jiafeng

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2022	1 January 2022
Current assets:		
Monetary assets	7,338,284,192.52	6,701,949,499.06
Held-for-trading financial assets	1,267,195,966.38	2,611,037,013.67
Derivative financial assets		
Notes receivable		
Accounts receivable		
Accounts receivable financing	233,465,242.96	269,471,899.40
Prepayments	39,599,180.34	85,579,299.60
Other receivables	202,279,154.63	290,480,736.49
Including: Interest receivable		
Dividends receivable		
Inventories	4,670,562,760.80	3,667,928,608.55
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	63,929,024.28	142,527,867.24
Total current assets	13,815,315,521.91	13,768,974,924.01
Non-current assets:		
Investments in debt obligations		
Investments in other debt obligations		
Long-term receivables		
Long-term equity investments	1,586,749,613.68	1,547,415,641.38
Investments in other equity instruments		
Other non-current financial assets		
Investment property	13,396,881.96	4,075,801.06
Fixed assets	1,715,114,776.31	1,375,344,792.42
Construction in progress	1,597,185,086.35	692,315,065.86
Productive living assets		
Oil and gas assets		
Right-of-use assets	31,004,490.39	40,811,867.62
Intangible assets	483,601,950.48	437,919,619.31
Development costs		
Goodwill		

Long-term prepaid expense	22,817,228.71	41,319,866.13
Deferred income tax assets	28,512,224.61	28,775,933.22
Other non-current assets		
Total non-current assets	5,478,382,252.49	4,167,978,587.00
Total assets	19,293,697,774.40	17,936,953,511.01
Current liabilities:		
Short-term borrowings		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	950,887,301.03	672,018,963.99
Advances from customers		
Contract liabilities	3,432,162.83	23,438,890.01
Employee benefits payable	276,482,563.00	160,404,100.41
Taxes payable	548,241,724.13	473,881,384.92
Other payables	726,494,649.90	632,857,371.46
Including: Interest payable		
Dividends payable		
Liabilities directly associated with assets held for sale		
Current portion of non-current liabilities	10,574,121.12	11,633,827.85
Other current liabilities	16,403,036.11	15,080,461.56
Total current liabilities	2,532,515,558.12	1,989,315,000.20
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	18,631,395.93	26,476,999.19
Long-term payables		
Long-term employee benefits payable		
Provisions		
Deferred income	38,926,909.02	27,176,546.19
Deferred income tax liabilities	43,726,162.12	21,499,021.71
Other non-current liabilities		
Total non-current liabilities	101,284,467.07	75,152,567.09
Total liabilities	2,633,800,025.19	2,064,467,567.29
Owners' equity:		
Share capital	528,600,000.00	528,600,000.00
Other equity instruments		

Including: Preferred shares		
Perpetual bonds		
Capital reserves	6,176,504,182.20	6,176,504,182.20
Less: Treasury stock		
Other comprehensive income	-529,354.77	-1,385,311.78
Specific reserve		
Surplus reserves	264,300,000.00	264,300,000.00
Retained earnings	9,691,022,921.78	8,904,467,073.30
Total owners' equity	16,659,897,749.21	15,872,485,943.72
Total liabilities and owners' equity	19,293,697,774.40	17,936,953,511.01

3. Consolidated Income Statement

Unit: RMB

Item	2022	2021
1. Revenue	16,713,234,153.52	13,269,826,266.04
Including: Operating revenue	16,713,234,153.52	13,269,826,266.04
Interest revenue		
Insurance premium income		
Handling charge and commission income		
2. Costs and expenses	12,315,714,961.34	10,213,542,938.71
Including: Cost of sales	3,816,322,045.01	3,304,077,011.92
Interest costs		
Handling charge and commission expense		
Surrenders		
Net insurance claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium expense		
Taxes and surcharges	2,824,059,322.03	2,031,815,205.67
Selling expense	4,668,185,055.13	4,008,075,483.08
Administrative expense	1,166,780,389.23	1,022,181,419.74
R&D expense	56,667,203.01	51,449,475.36
Finance costs	-216,299,053.07	-204,055,657.06
Including: Interest costs	5,679,645.21	7,036,575.14
Interest revenue	221,450,532.78	210,634,326.57

Add: Other income	46,721,259.52	55,269,628.48
Return on investment (“-” for loss)	-10,804,384.45	4,692,379.15
Including: Share of profit or loss of joint ventures and associates	941,635.20	397,024.95
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Exchange gain (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	29,149,125.30	7,225,961.17
Credit impairment loss (“-” for loss)	403,221.49	-6,492,841.44
Asset impairment loss (“-” for loss)	-11,144,233.30	-16,738,156.85
Asset disposal income (“-” for loss)	886,286.45	1,368,763.13
3. Operating profit (“-” for loss)	4,452,730,467.19	3,101,609,060.97
Add: Non-operating income	50,767,945.38	80,358,158.20
Less: Non-operating expense	33,006,363.84	10,673,284.61
4. Profit before tax (“-” for loss)	4,470,492,048.73	3,171,293,934.56
Less: Income tax expense	1,218,657,884.24	796,962,295.09
5. Net profit (“-” for net loss)	3,251,834,164.49	2,374,331,639.47
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	3,251,834,164.49	2,374,331,639.47
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to shareholders of the Company as the parent	3,143,144,732.08	2,297,894,413.25
5.2.1 Net profit attributable to non-controlling interests	108,689,432.41	76,437,226.22
6. Other comprehensive income, net of tax	3,878,826.81	-2,702,255.36
Attributable to owners of the Company as the parent	3,143,797.80	-2,735,058.19
6.1 Items that will not be reclassified to profit or loss	857,417.15	312,174.31
6.1.1 Changes caused by		

remeasurements on defined benefit schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments	857,417.15	312,174.31
6.1.4 Changes in the fair value arising from changes in own credit risk		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	2,286,380.65	-3,047,232.50
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets	2,286,380.65	-3,047,232.50
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
6.2.7 Other		
Attributable to non-controlling interests	735,029.01	32,802.83
7. Total comprehensive income	3,255,712,991.30	2,371,629,384.11
Attributable to owners of the Company as the parent	3,146,288,529.88	2,295,159,355.06
Attributable to non-controlling interests	109,424,461.42	76,470,029.05
8. Earnings per share		
8.1 Basic earnings per share	5.95	4.45
8.2 Diluted earnings per share	5.95	4.45

Legal representative: Liang Jinhui

The Company's chief accountant: Zhu Jiafeng

Head of the Company's financial department: Zhu Jiafeng

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2022	2021
1. Operating revenue	8,436,854,425.33	6,861,927,173.56
Less: Cost of sales	3,150,072,247.44	2,685,143,091.93
Taxes and surcharges	2,427,479,945.90	1,709,930,259.58
Selling expense	214,565,182.08	57,374,585.54
Administrative expense	828,752,411.76	638,615,142.40
R&D expense	24,437,179.22	24,789,072.53
Finance costs	-146,277,487.29	-146,376,995.59
Including: Interest expense	1,571,025.57	2,057,303.09
Interest revenue	147,476,627.30	148,286,685.55
Add: Other income	9,829,030.03	12,884,387.21
Return on investment (“-” for loss)	516,451,555.38	740,925,389.76
Including: Share of profit or loss of joint ventures and associates	769,710.25	0.00
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	13,657,322.02	7,159,098.16
Credit impairment loss (“-” for loss)	-259,373.20	1,569,395.15
Asset impairment loss (“-” for loss)	-9,004,878.11	-9,447,015.13
Asset disposal income (“-” for loss)	448,814.15	1,217,988.71
2. Operating profit (“-” for loss)	2,468,947,416.49	2,646,761,261.03
Add: Non-operating income	32,757,400.28	45,118,776.84
Less: Non-operating expense	22,709,736.17	5,010,863.26
3. Profit before tax (“-” for loss)	2,478,995,080.60	2,686,869,174.61
Less: Income tax expense	529,519,232.12	479,562,073.53
4. Net profit (“-” for net loss)	1,949,475,848.48	2,207,307,101.08
4.1 Net profit from continuing operations (“-” for net loss)	1,949,475,848.48	2,207,307,101.08
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of	855,957.01	-1,385,311.78

tax		
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss	855,957.01	-1,385,311.78
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets	855,957.01	-1,385,311.78
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other		
6. Total comprehensive income	1,950,331,805.49	2,205,921,789.30
7. Earnings per share		
7.1 Basic earnings per share	3.69	4.18
7.2 Diluted earnings per share	3.69	4.18

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2022	2021
1. Cash flows from operating activities:		
Proceeds from sale of commodities	17,348,587,209.08	15,533,370,561.71

and rendering of services		
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from the central bank		
Net increase in loans from other financial institutions		
Premiums received on original insurance contracts		
Net proceeds from reinsurance		
Net increase in deposits and investments of policy holders		
Interest, handling charges and commissions received		
Net increase in interbank loans obtained		
Net increase in proceeds from repurchase transactions		
Net proceeds from acting trading of securities		
Tax rebates	45,693,991.49	10,939,461.17
Cash generated from other operating activities	1,235,322,755.09	1,154,331,493.95
Subtotal of cash generated from operating activities	18,629,603,955.66	16,698,641,516.83
Payments for commodities and services	3,108,670,928.12	2,476,695,652.35
Net increase in loans and advances to customers		
Net increase in deposits in the central bank and in interbank loans granted		
Payments for claims on original insurance contracts		
Net increase in interbank loans granted		
Interest, handling charges and commissions paid		
Policy dividends paid		
Cash paid to and for employees	3,185,038,494.67	2,764,878,720.68
Taxes paid	5,307,487,437.35	3,745,603,413.41
Cash used in other operating activities	3,920,492,516.04	2,457,155,602.60
Subtotal of cash used in operating activities	15,521,689,376.18	11,444,333,389.04
Net cash generated from/used in	3,107,914,579.48	5,254,308,127.79

operating activities		
2. Cash flows from investing activities:		
Proceeds from disinvestment	8,260,205,000.00	685,446,809.53
Return on investment	221,663,163.09	27,570,964.03
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	1,962,955.22	8,510,785.59
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	8,483,831,118.31	721,528,559.15
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	1,580,221,258.51	578,154,171.08
Payments for investments	1,613,900,000.00	8,939,702,000.00
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units	20,998,589.19	65,123,508.25
Cash used in other investing activities		
Subtotal of cash used in investing activities	3,215,119,847.70	9,582,979,679.33
Net cash generated from/used in investing activities	5,268,711,270.61	-8,861,451,120.18
3. Cash flows from financing activities:		
Capital contributions received	6,000,000.00	4,962,827,169.81
Including: Capital contributions by non-controlling interests to subsidiaries	6,000,000.00	5,280,000.00
Borrowings raised	69,900,000.00	202,510,000.00
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	75,900,000.00	5,165,337,169.81
Repayment of borrowings	177,180,000.00	357,436,327.65
Interest and dividends paid	1,211,279,690.92	760,093,886.59
Including: Dividends paid by subsidiaries to non-controlling interests	41,909,624.65	0.00
Cash used in other financing activities	16,242,902.55	20,017,478.32
Subtotal of cash used in financing activities	1,404,702,593.47	1,137,547,692.56
Net cash generated from/used in financing activities	-1,328,802,593.47	4,027,789,477.25

4. Effect of foreign exchange rates changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	7,047,823,256.62	420,646,484.86
Add: Cash and cash equivalents, beginning of the period	6,057,550,178.60	5,636,903,693.74
6. Cash and cash equivalents, end of the period	13,105,373,435.22	6,057,550,178.60

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2022	2021
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	9,518,152,761.40	6,255,940,908.12
Tax rebates	2,094,742.52	136,317.05
Cash generated from other operating activities	1,926,489,095.98	1,011,350,323.14
Subtotal of cash generated from operating activities	11,446,736,599.90	7,267,427,548.31
Payments for commodities and services	2,746,340,485.31	1,619,308,652.04
Cash paid to and for employees	1,081,372,305.15	893,957,837.80
Taxes paid	3,459,006,681.54	2,421,277,549.92
Cash used in other operating activities	2,992,541,464.72	257,177,069.10
Subtotal of cash used in operating activities	10,279,260,936.72	5,191,721,108.86
Net cash generated from/used in operating activities	1,167,475,663.18	2,075,706,439.45
2. Cash flows from investing activities:		
Proceeds from disinvestment	7,606,205,000.00	546,849,809.53
Return on investment	665,639,717.09	43,845,258.48
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	2,031,105.25	6,000,032.69
Net proceeds from the disposal of subsidiaries and other business units	0.00	13,673,346.37
Cash generated from other investing activities		
Subtotal of cash generated from investing activities	8,273,875,822.34	610,368,447.07
Payments for the acquisition of fixed	1,411,407,863.94	793,665,435.61

assets, intangible assets and other long-lived assets		
Payments for investments	1,063,900,000.00	8,151,105,000.00
Net payments for the acquisition of subsidiaries and other business units	21,225,000.00	440,643,400.00
Cash used in other investing activities		
Subtotal of cash used in investing activities	2,496,532,863.94	9,385,413,835.61
Net cash generated from/used in investing activities	5,777,342,958.40	-8,775,045,388.54
3. Cash flows from financing activities:		
Capital contributions received	0.00	4,957,547,169.81
Borrowings raised		
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	0.00	4,957,547,169.81
Repayment of borrowings		
Interest and dividends paid	1,164,491,025.57	755,400,000.00
Cash used in other financing activities	13,992,902.55	18,667,478.32
Subtotal of cash used in financing activities	1,178,483,928.12	774,067,478.32
Net cash generated from/used in financing activities	-1,178,483,928.12	4,183,479,691.49
4. Effect of foreign exchange rates changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	5,766,334,693.46	-2,515,859,257.60
Add: Cash and cash equivalents, beginning of the period	1,571,949,499.06	4,087,808,756.66
6. Cash and cash equivalents, end of the period	7,338,284,192.52	1,571,949,499.06

7. Consolidated Statements of Changes in Owners' Equity

2022

Unit: RMB

Item	2022														
	Equity attributable to owners of the Company as the parent												Non-controlling interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
1. Balance as at the end of the prior year	528,600,000.				6,224,747,667.10		-2,735,058.19		269,402,260.27		9,517,374,574.46		16,537,389,443.64	715,471,437.89	17,252,860,881.53
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															

Adjustment for business combination under common control															
Other adjustments															
2. Balance as at the beginning of the year	528,600,000.				6,224,747,667.10		-2,735,058.19		269,402,260.27		9,517,374,574.46		16,537,389,443.64	715,471,437.89	17,252,860,881.53
3. Increase/decrease in the period (“-” for decrease)							3,143,797.80				1,980,224,732.08		1,983,368,529.88	96,624,344.80	2,079,992,874.68
3.1 Total comprehensive income							3,143,797.80				3,143,144,732.08		3,146,288,529.88	109,424,461.42	3,255,712,991.30
3.2 Capital increased and reduced by owners														29,109,508.03	29,109,508.03
3.2.1 Ordinary shares increased by														6,000,000.00	6,000,000.00

(or shareholders)															
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4															

Changes in defined benefit schemes transferred to retained earnings														
3.4.5 Other comprehensive income transferred to retained earnings														
3.4.6 Other														
3.5 Specific reserve														
3.5.1 Increase in the period														
3.5.2 Used in the period														
3.6 Other														
4. Balance as at the end of the period	528,600,000.			6,224,747,667.10		408,739.61		269,402,260.27		11,497,599,306.54		18,520,757,973.52	812,095,782.69	19,332,853,756.21

2021

Unit: RMB

Item	2021													Non-controlling interests	Total owners' equity
	Equity attributable to owners of the Company as the parent											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		Other		
	Preferred shares	Perpetual bonds	Other												
1. Balance as at the end of the prior year	503,600,000.				1,295,405,592.25				256,902,260.27		7,987,380,161.21		10,043,288,013.73	405,562,772.65	10,448,850,786.38
Add: Adjustment for change in accounting policy															
Adjustment for correction of previous error															
Adjustment for business combination															

under common control															
Other adjustments															
2. Balance as at the beginning of the year	503,600,000.00				1,295,405,592.25				256,902,260.27		7,987,380,161.21		10,043,288,013.73	405,562,772.65	10,448,850,786.38
3. Increase/decrease in the period (“+” for increase)	25,000,000.00				4,929,342,074.85		-2,735,058.19		12,500,000.00		1,529,994,413.25		6,494,101,429.91	309,908,665.24	6,804,010,095.15
3.1 Total comprehensive income							-2,735,058.19				2,297,894,413.25		2,295,159,355.06	76,470,029.05	2,371,629,384.11
3.2 Capital increased and reduced by owners	25,000,000.00				4,929,342,074.85								4,954,342,074.85	233,438,636.19	5,187,780,711.04
3.2.1 Ordinary shares increased by owners	25,000,000.00				4,929,342,074.85								4,954,342,074.85		4,954,342,074.85
3.2.2 Capital															

increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other													233,438,636.19	233,438,636.19	
3.3 Profit distribution								12,500,000.00	-767,900,000.00		-755,400,000.00			-755,400,000.00	
3.3.1 Appropriation to surplus reserves								12,500,000.00	-12,500,000.00						
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)										-755,400,000.00	-755,400,000.00			-755,400,000.00	

3.3.4 Other																
3.4 Transfers within owners' equity																
3.4.1 Increase in capital (or share capital) from capital reserves																
3.4.2 Increase in capital (or share capital) from surplus reserves																
3.4.3 Loss offset by surplus reserves																
3.4.4 Changes in defined benefit schemes transferred to																

retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balance as at the end of the period	528,600,000.				6,224,747,667.10		-2,735,058.19		269,402,260.27		9,517,374,574.46		16,537,389,443.64	715,471,437.89	17,252,860,881.53

8. Statements of Changes in Owners' Equity of the Company as the Parent

2022

Unit: RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	528,600,000.00				6,176,504,182.20		-1,385,311.78		264,300,000.00	8,904,467,073.30		15,872,485,943.72
Add: Adjustment for change in accounting policy												
Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the year	528,600,000.00				6,176,504,182.20		-1,385,311.78		264,300,000.00	8,904,467,073.30		15,872,485,943.72
3. Increase/ decrease in the period (“-” for decrease)							855,957.01			786,555,848.48		787,411,805.49
3.1 Total comprehensive income							855,957.01			1,949,475,848.48		1,950,331,805.49
3.2 Capital increased and reduced by owners												
3.2.1 Ordinary shares increased by owners												
3.2.2 Capital increased by holders of other equity												

instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit distribution												
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)												
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in												

defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the period	528,600,000.00				6,176,504,182.20		-529,354.77		264,300,000.00	9,691,022,921.78		16,659,897,749.21

2021

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balance as at the end of the prior year	503,600,000.00				1,247,162,107.35				251,800,000.00	7,465,059,972.22		9,467,622,079.57
Add: Adjustment for change in accounting policy												

Adjustment for correction of previous error												
Other adjustments												
2. Balance as at the beginning of the year	503,600,000.00				1,247,162,107.35				251,800,000.00	7,465,059,972.22		9,467,622,079.57
3. Increase/ decrease in the period (“-” for decrease)	25,000,000.00				4,929,342,074.85		-1,385,311.78		12,500,000.00	1,439,407,101.08		6,404,863,864.15
3.1 Total comprehensive income							-1,385,311.78			2,207,307,101.08		2,205,921,789.30
3.2 Capital increased and reduced by owners	25,000,000.00				4,929,342,074.85							4,954,342,074.85
3.2.1 Ordinary shares increased by owners	25,000,000.00				4,929,342,074.85							4,954,342,074.85
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other												
3.3 Profit									12,500,000.00	-767,900,000.00		-755,400,000.00

distribution												
3.3.1 Appropriation to surplus reserves									12,500,000.00	-12,500,000.00		
3.3.2 Appropriation to owners (or shareholders)										-755,400,000.00		-755,400,000.00
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												

3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balance as at the end of the period	528,600,000.00				6,176,504,182.20		-1,385,311.78		264,300,000.00	8,904,467,073.30		15,872,485,943.72

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements
for the Year Ended 31 December 2022

(Unless otherwise stated, all amounts are expressed in CNY Yuan.)

Note 1 Company profile

1.1 Company profile

The Anhui State-owned Asset Management Bureau approved through WanGuoZiGongZi (1996) Di 053 Hao the incorporation of Anhui Gujing Distillery Company Limited (the Company and GJ Distillery) by Anhui Gujing Group Company Limited (GJ Group), as the sole founder, by the operating assets of Anhui Bozhou Gujing Distillery Factory (GJ Distillery Factory), which is the core operating unit of GJ Group. The incorporation was further approved by the Anhui People's Government through WanZhengMi (1996) 42 Hao. The incorporation General Meeting was held on 28 May 1996 and the incorporation was registered with the Anhui Administration Bureau for Commerce and Industry on 30 May 1996 with the registered address at Bozhou, Anhui, the People's Republic of China (the PRC). At incorporation, the Company's total number of shares stood at 155 million with a valuation of CNY 377.17million, which was the fair value of the operating assets of GJ Distillery Factory upon appraisal.

The Company initiated public offering of 60 million domestic listed shares held by foreign investors (known as "B share(s)") in June 1996 and 20 million domestic listed CNY ordinary shares (known as "A share(s)") in September 1996. The par value of both the B share and A share is CNY 1.00 per share. The B shares and A shares issued were listed on the Shenzhen Stock Exchange.

The Company is headquartered at Gujing, Bozhou, Anhui. The Company and its subsidiaries (collectively, the Group) operates in the food manufacturing sector and engages in the production and sales of distilled wine.

As of the public listing, the Company has 235 million shares in total with the share capital at CNY 235 million. The Company's at public listing comprised 155 million state-owned shares, 60 million B shares and 20 million A shares. Each of the Company's shares has a par value at CNY 1.00 per share.

In accordance with the resolution of the General Meeting held on 29 May 2006, the Company exercised the share reorganisation plan in June 2006. Immediately after the implementation of the share reorganisation plan, the Company had in total 235 million shares, comprising 147 million shares with restriction of disposal (equal to 62.55% of total shares) and 88 million free-floating shares (equal to 37.45% of total shares).

Upon the Company's publication of the Notice of Lifting Restriction of Shares on 27 June 2007, the restriction on disposal on 11.75 million shares was lifted on 29 June 2007. Immediately after the lifting, the Company had in total 235 million shares, comprising 135.25 million shares with restriction of disposal (equal to 57.55% of total shares) and 99.75 million free-floating shares (equal to 42.45% of total shares).

Upon the Company's publication of the Notice of Lifting Restriction of Shares on 17 July 2008, the restriction on disposal on 11.75 million shares was lifted on 18 July 2008. Immediately after the lifting, the Company had in total 235 million shares, comprising 123.5 million shares with restriction of disposal (equal to 52.55% of total shares) and 111.5 million free-floating shares (equal to 47.45% of total shares).

Upon the Company's publication of the Notice of Lifting Restriction of Shares on 24 July 2009, the restriction on disposal on 123.5 million shares was lifted on 29 July 2009. Immediately after the lifting, the Company had in total 235 million shares, comprising 235 million free-floating shares (equal to 100% of total shares).

Upon approval by the China Securities Regulatory Commission (CSRC) through ZhengJianXuKe [2011] 943 Hao, the Company issued on 15 July 2011 through private offering of 16.8 million A shares with the par value at CNY 1.00 to designated investors. The shares were issued at CNY 75.00 per share. Gross proceeds from this issuance was CNY 1,260 million and the respective net proceeds after deduction of the cost of issuance (CNY 32.5 million) was CNY 1,227.5 million. The subscription for the issuance was verified by Reanda CPAs Co., Ltd. through Reanda YanZi [2011] Di 1065 Hao. Immediately after this private offering, the share capital of the Company increased to CNY 251.8 million.

In accordance with the resolution of the Company's 2011 General Meeting, a bonus issue of 10 shares for every 10 shares held at 31 December 2011 through utilisation of capital reserves was exercised in 2012. 251.8 bonus shares were issued in total. Immediately after the exercise of the bonus issue, the Company's share capital increased to CNY 503.6 million.

Upon approval by the CSRC through ZhengJianXuKe [2021] 1422 Hao, the Company issued on 22 July 2021 through private offering of 25 million A shares with the par value at CNY 1.00 to designated investors. The shares were issued at CNY 200.00 per share. Gross proceeds from this issuance was CNY 5,000 million and the respective net proceeds after deduction of the cost of issuance (CNY 45.66 million) was CNY 4,954.34 million. The subscription for the issuance was verified by RSM China CPAs LLP through RSM Yan [2021] No. 518Z0050. Immediately after this private offering, the share capital of the Company increased to CNY 528.6 million.

As of 31 December 2022, total number of the Company's shares stood at 528.6 million. See Note 5.33 for further details.

Place of registration: Gujing, Bozhou, Anhui.

Registered scope of operation: grain purchase (operation under permit), production of distilled wine, brewery equipments, packaging materials, glass bottles, alcohol, fat (as by-product of alcohol production), development of innovative technology and biological technology, deep processing of agricultural and auxillary products, and sales of owned produced goods.

These financial statements are approved on 28 April 2023 by the Company's Board of Directors for publication.

1.2 Scope of consolidation

1.2.1 Subsidiaries included in the Company's scope of consolidation as of the statement date

	Subsidiary	Abbreviation	Shareholding %	
			Direct	Indirect
1	Bozhou Gujing Sales Co., Ltd.	GJ Sales	100	-
2	Anhui Jinyunlai Culture Media Co., Ltd.	Jinyunlai	100	-
3	Anhui Ruisi Weier Technology Co., Ltd.	Ruisi Weier	100	-
4	Anhui Longrui Glass Co., Ltd.	Longrui Glass	100	-
5	Shanghai Gujing Jinhao Hotel Management Co., Ltd.	Jinhao Hotel	100	-
6	Baozhou Gujing Guest House Co., Ltd.	GJ Guest House	100	-
7	Anhui Yuanqing Environment Protection Co., Ltd.	YQ Environment	100	-

	Subsidiary	Abbreviation	Shareholding %	
			Direct	Indirect
		Protection		
8	Anhui Gujing Yunshang E-Commerce Co., Ltd.	GJ E-Commerce	100	-
9	Anhui Runan Xinke Testing Technology Co., Ltd.	Runan Xinke	100	-
10	Anhui Jiuan Electric Equipments Co., Ltd.	Jiuan Electric	100	-
11	Anhui Jiudao Culture Media Co., Ltd.	Jiudao Media	100	-
12	Anhui Gujing Distillery Wine Theme Hotel Management Co., Ltd	Theme Hotel	100	
13	Anhui Anjie Technology Co., Ltd.	Anjie Technology	-	70
14	Anhui Jiuhaio ChinaRail Construction Engineering Co., Ltd.	Jiuhaio ChinaRail	52	-
15	Anhui Zhenrui Construction Engineering Co., Ltd.	Zhenrui Construction	-	52
16	Huanghelou Distillery Co., Ltd.	HHL Distillery	51	-
17	HHL Distillery (Suizhou) Co., Ltd.	HHL Suizhou	-	51
18	Hubei Junlou Culture Travel Co., Ltd.	Junlou Culture	-	51
19	Hubei HHL Beverage Co., Ltd.	HHL Beverage	-	51
20	HHL Distillery (Xianning) Co., Ltd.	HHL Xianning	-	51
21	Wuhan Yashibo Technology Co., Ltd.	Yashibo	-	51
22	Hubei Xinjia Testing Technology Co., Ltd.	Xinjia Testing	-	51
23	Wuhan Tianlong Jindi Technology Development Co., Ltd.	Tianlong Jindi	-	51
24	Wuhan Junya Sales Co., Ltd.	Junya Sales	-	51
25	Xianning Junhe Sales Co., Ltd.	Xianning Junhe	-	51
26	Suizhou Junhe Trading Co., Ltd.	Suizhou Junhe	-	51
27	Huanggang Junya Trading Co., Ltd.	Huanggang Junya	-	51
28	Guizhou Renhuai Maotai Treasure Distillery Co., Ltd.	Treasure Distillery	60	-
29	Anhui Mingguang Distillery Co., Ltd.	Mingguang Distillery	60	-
30	Mingguang Tiancheng Mingjiu Sales Co., Ltd.	Tiancheng Sales	-	60
31	Fengyang Xiaogangcun Mingjiu Distillery Co., Ltd.	FY Xiaogangcun	-	42
32	Anhui Gujing Health Technology Co., Ltd	GJ HealthTechnology	60	-

	Subsidiary	Abbreviation	Shareholding %	
			Direct	Indirect
33	Anhui Maiqi Biotechnology Co., Ltd	Maiqi Biotechnology	-	60
34	Anhui Yangshengtianxia Brand Operation Co. , Ltd.	Brand Operation	-	60
35	Hainan Yangshengtianxia Biotechnology Development Co., Ltd	Biotechnology	-	60

See Note 7 for further details.

1.2.2 Change of the scope of consolidation in the period

See Note 7 for further details. Theme Hotel, Huanggang Junya, Anjie Technology, GJ Health Technology,, Maiqi Biotechnology, Brand Operation and Biotechnology were included in the Company's scope of consolidation in the period for the first time.

Note 2 Basis of preparation for the financial statements

2.1 Basis of preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises” or ASBE(s)). At the same time, the Company discloses relevant financial information in accordance with Disclosure Rule for Companies with Publicly Traded Securities No. 15 – General Provisions for Financial Statements (Revised in 2014) issued by the CSRC.

2.2 Going concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

Note 3 Significant account policies and accounting estimates

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises.

3.1 Statement of compliance with the Accounting Standards for Business Enterprises

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company's financial position as at 31 December 2022, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

3.2 Accounting period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3.3 Operating cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional currency

The functional currency of the Company is CNY Yuan. An Overseas subsidiary (or branch) uses the currency prominent in its business activities as its functional currency.

3.5 Business combination under common control and business combination not under common control

3.5.1 Business combination under common control

The assets and liabilities that the Company obtains in a business combination under common control are measured at their carrying amounts as consolidated in the ultimate controller's consolidated statement of financial position at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the Company, the Company, according to accounting policy it adopts, adjusts the relevant items in the financial statements of the acquired entity based on the principle of materiality. the Company's capital reserve (capital premium or share premium) is adjusted by the difference between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid for the combination; where the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, the excess is adjusted to the Company's surplus reserves, and retained earnings if needed.

See Note 3.6.6 for business combination under common control through multiple transactions.

3.5.2 Business combination not under common control

The identifiable assets and liabilities that the Company obtains in a business combination not under common control are measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the Company, the Company, according to accounting policy it adopts, adjusts the relevant items in the financial statements of the acquired entity based on the principle of materiality. The Company recognises the excess of the cost of combination over the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. Where the fair value of the identifiable net assets obtained by the Company is higher than the cost of combination, the Company review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the cost of combination; where the excess remains upon the review, the Company recognises the excess through profit or loss for the period in which the combination occurs.

See Note 3.6.6 for business combination not under common control through multiple transactions.

3.5.3 Transaction costs of a business combination

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination are charged to profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination are recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Consolidated financial statements

3.6.1 Scope of consolidation

The scope of consolidation is determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability

to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that controlled by the Company (including a legal entity, a divisible part of the investee, and a structured entity controlled by a legal entity). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

3.6.2 Accounting policies applicable to an investing entity

Where an entity is an investing entity, it consolidates its subsidiaries to the extent that the subsidiaries which provide services to the investing entity; investment by the investing entity in other subsidiaries of the investing entity which are not consolidated by the investing entity is recognised as financial assets at fair value through profit or loss.

An entity is an investing entity is all of the following conditions are satisfied:

- I. the entity obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- II. the entity commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- III. the entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

Where a non-investing entity becomes an investing entity, subsidiaries excluded from consolidation upon the change in status are accounted for in accordance with the principle of partial disposal not giving rise to loss of control.

Where an investing entity becomes a non-investing entity, subsidiaries which were not previously consolidated are consolidated into the non-investing entity upon the change in status in accordance with the principle of business combination not under common control while their fair value as of the date of change in status is recognised by the non-investing entity as cost of combination.

3.6.3 Preparation of the consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company considers the entire group as

an accounting entity, adopts uniform accounting policies and applies the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements reflect the overall financial position, operating results and cash flows of the group.

I. Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of the subsidiaries.

II. The carrying amount of the parent's investment in each subsidiary is eliminated (off-set) against the parent's portion of equity of each subsidiary.

III. The impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries are eliminated, and when intragroup transactions indicate an impairment of related assets, the losses are recognised in full.

IV. Adjustments are made for special transactions from the perspective of the group.

3.6.4 Accounting for inclusion into and exclusion from the scope of consolidation

3.6.4.1 Inclusion into the scope of consolidation

I. Subsidiaries or businesses acquired through business combination under common control

When preparing the consolidated statements of financial position, the opening balances are adjusted. Related items of comparative financial statements are adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary arising from the beginning of the reporting period to the end of the reporting period are included into the consolidated statement of comprehensive income. Related items of comparative financial statements are adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period are included into the consolidated statement of cash flows. Related items of comparative financial statements are adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

II. Subsidiaries or businesses acquired through business combination not under common control

When preparing the consolidated statements of financial position, the opening balances of the consolidated statements of financial position are not adjusted.

Incomes, expenses and profits of the subsidiary arising from the acquisition date to the end of the reporting period are included into the consolidated statement of comprehensive income.

Cash flows from the acquisition date to the end of the reporting period are included into the consolidated statement of cash flows.

3.6.4.2 Exclusion from the scope of consolidation resulted from disposal of subsidiaries or businesses

When preparing the consolidated statements of financial position, the opening balances of the consolidated statements of financial position are not adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date are included into the consolidated statement of comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date are included into the consolidated statement of cash flows.

3.6.5 Special consideration in consolidation elimination

3.6.5.1 Long-term equity investment held by the subsidiaries to the Company is recognised as treasury stock of the Company, which is offset with equity, represented as “treasury stock” under “equity” in the consolidated statement of financial position.

Long-term equity investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated (off- set) against the portion of the corresponding subsidiary’s equity.

3.6.5.2 Due to not belonging to share capital and capital reserve, and being different from retained earnings and undistributed profit, “Specific reserves” is recovered based on the proportion attributable to owners of the parent company after long-term equity investment to the subsidiaries is eliminated with the subsidiaries’ equity.

3.6.5.3 If temporary timing difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of elimination of unrealised inter-company transaction profit or loss, deferred tax assets of deferred tax liabilities are recognised, and income tax expense in the consolidated statement

of comprehensive income is adjusted simultaneously, excluding deferred taxes related to transactions or events directly recognised in equity or business combination.

3.6.5.4 Unrealised inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries is eliminated against “net profit attributable to the shareholders of the parent company” in full. Unrealised inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company is eliminated between “net profit attributable to the shareholders of the parent company” and “net profit attributable to non-controlling shareholders” pursuant to the proportion of the Company in the related subsidiaries. Unrealised inter-company transactions profit or loss generated from the assets sales between the subsidiaries is eliminated between “net profit attributable to the shareholders of the parent company” and “net profit attributable to non-controlling shareholders” pursuant to the proportion of the Company in the selling subsidiaries.

3.6.5.5 If loss attributable to the non-controlling shareholders of a subsidiary in current period is more than the proportion of non-controlling interest in this subsidiary at the beginning of the period, non-controlling interest is still to be written down.

3.6.6 Accounting for special transactions

3.6.6.1 Acquiring shares from non-controlling shareholders

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary’s net assets from the acquisition date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted into capital reserve (capital premium or share premium). If capital reserve is insufficient for offset, surplus reserve and retained earnings shall be offset in turn.

3.6.6.2 Gaining control over a subsidiary in stages through multiple transactions

I. Business combination under common control through multiple transactions

On the combination date, in the separate financial statement, initial cost of the long-term equity investment is determined according to the share of carrying amount of the acquiree’s net assets in the ultimate controlling entity’s consolidated financial statements after combination. The difference between the initial cost of the long-term equity investment and

the carrying amount of the long -term investment held prior of control plus book value of additional consideration paid at acquisition date is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess is adjusted against surplus reserve and undistributed profit in turn.

In the consolidated financial statements, the assets and liabilities acquired during the combination are recognised at their carrying amounts in the ultimate controlling entity's consolidated financial statements on the combination date unless any adjustment is resulted from the difference in accounting policies. The difference between the carrying amount of the investment held prior of control plus book value of additional consideration paid on the acquisition date and the net assets acquired through the combination is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess is adjusted against retained earnings.

If the acquiring entity holds equity investment in the acquired entity prior to the combination date and the equity investment is accounted for under the equity method, related profit or loss, other comprehensive income and other changes in equity which have been recognised during the period from the later of the date of the Company obtaining original equity interest and the date of both the acquirer and the acquiree under common control of the same ultimate controlling party to the combination is offset against the opening balance of retained earnings at the comparative financial statements period respectively.

II. Business combination not under common control through multiple transactions

On the consolidation date, in the separate financial statements, the initial cost of long-term equity investment is determined according to the carrying amount of the original long-term investment plus the cost of new investment.

In the consolidated financial statements, the equity interest of the acquired entity held prior to the acquisition date is re-measured at its fair value on the acquisition date. Difference between the fair value of the equity interest and its book value is recognised as investment income. Other comprehensive income related to the equity interest held prior to the acquisition date calculated through equity method is transferred to current investment income of the acquisition period, excluding other comprehensive income resulted from the remeasurement of defined benefit plans. The Company discloses acquisition-date fair value of the equity interest held prior to the acquisition date, and the related gains or losses due to the remeasurement based on fair value.

3.6.6.3 Disposal of investment in subsidiaries without a loss of control

For partial disposal of a long-term equity investment in a subsidiary without a loss of control, when the Company prepares consolidated financial statements, difference between consideration received from the disposal and the corresponding share of subsidiary's net assets cumulatively calculated from the acquisition date or combination date is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess is adjusted against retained earnings.

3.6.6.4 Disposal of investment in subsidiaries with a loss of control

I. Loss of control through one single transaction

If the Company loses control in an investee through partial disposal of the equity investment, when the consolidated financial statements are prepared, the retained equity interest is re-measured at fair value at the date of loss of control. The difference between i) the fair value of consideration received from the disposal plus non-controlling interest retained; ii) share of the former subsidiary's net assets cumulatively calculated from the acquisition date or combination date according to the original proportion of equity interest, is recognised in current investment income when control is lost.

Moreover, other comprehensive income and other changes in equity related to the equity investment in the former subsidiary is transferred into current investment income when control is lost, excluding other comprehensive income resulted from the remeasurement of defined benefit plans.

II. Loss of control through multiple transactions

In the consolidated financial statements, whether the transactions should be accounted for as "a single transaction" needs to be decided firstly.

If the disposal through multiple transactions is not classified as "a single transaction", in the separate financial statements, for transactions prior to the date of loss of control, carrying amount of each disposal of long-term equity investment is de-recognised at upon disposal, and the difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed is recognised in current investment income; in the consolidated financial statements, the disposal transaction is accounted for in accordance with 3.6.6.3.

If the disposal through multiple transactions is classified as "a single transaction", these

transactions should be accounted for as one single transaction of disposal of subsidiary resulting in loss of control. In the separate financial statements, for each transaction prior to the date of loss of control, difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed is recognised in other comprehensive income firstly, and transferred to profit or loss as a whole when control is lost; in the consolidated financial statements, for each transaction prior to the date of loss of control, difference between consideration received and proportion of the subsidiary's net assets corresponding to the equity interest disposed is recognised in profit or loss as a whole when control is lost.

In considering of the terms and conditions of the transactions as well as their economic impact, the presence of one or more of the following indicators may lead to account for multiple transactions as a single transaction:

- i. The transactions are entered into simultaneously or in contemplation of one another.
- ii. The transactions form a single transaction designed to achieve an overall commercial effect.
- iii. The occurrence of one transaction depends on the occurrence of at least one other transaction.
- iv. One transaction, when considered on its own merits, does not make economic sense, but when considered together with the other transaction or transactions would be considered economically justifiable.

3.6.6.5 Diluting equity share of parent company in its subsidiaries due to additional capital contribution by the subsidiaries' non-controlling shareholders.

Other shareholders (non-controlling shareholders) of the subsidiaries inject additional capital in the subsidiary, which results in the dilution of equity interest of parent company in the subsidiary. In the consolidated financial statements, difference between share of the corresponding subsidiary's net assets calculated based on the parent's equity interest before and after the capital injection is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess is adjusted against retained earnings.

3.7 Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. Joint

arrangement of the Company is classified as either a joint operation or a joint venture.

3.7.1 Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following items in relation to shared interest in a joint operation, and accounts for them in accordance with relevant accounting standards of the Accounting Standards for Business Enterprises:

- I. its assets, including its share of any assets held jointly;
- II. its liabilities, including its share of any liabilities incurred jointly;
- III. its revenue from the sale of its share of the output arising from the joint operation;
- IV. its share of the revenue from the sale of the output by the joint operation; and
- V. its expenses, including its share of any expenses incurred jointly.

3.7.2 Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by applying the equity method of long-term equity investment.

3.8 Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign currency

3.9.1 Translation of a transaction denominated in a foreign currency

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date

(hereinafter referred to as the approximate exchange rate).

3.9.2 Translation of monetary items denominated in foreign currencies on a balance-sheet date

The foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost are translated at the spot exchange rate on the transaction date; the foreign currency non-monetary items restated to a fair value measurement are translated at the spot exchange rate at the date when the fair value was determined, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

3.9.3 Translation of financial statements denominated in a foreign currency

Before translating the financial statements of foreign operations, the accounting period and accounting policies are adjusted so as to conform to the Company's accounting period and accounting policies. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) are translated in accordance with the following method:

I. The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position. The equity items except retained earnings are translated at the spot exchange rates when they are incurred.

II. The income and expense items in the statement of comprehensive income are translated at the spot exchange rates or approximate exchange rate at the date of transaction.

III. Foreign currency cash flows and cash flows of foreign subsidiaries are translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as an adjustment item.

IV. The differences arising from the translation of foreign currency financial statements are presented separately as "other comprehensive income" under the equity items of the

consolidated statement of financial position.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognised under other comprehensive income in the statement of financial position are reclassified into current profit or loss according to the proportion disposed.

3.10 Financial instruments

A financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

3.10.1 Recognition and derecognition of a financial instrument

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognised when the rights to the contractual cash flows from the financial asset expire; or

A financial liability (or a part of a financial liability) is derecognised in on of the following ways:

- I. a financial liability (or a part of the financial liability) is derecognised when the obligation associated with the financial liability (or the part of the financial liability) is released;
- II. Where an existing financial liability is replaced by a new financial liability by an agreement with the counter party and the new financial liability is substantially different from the existing financial liability, the existing financial liability is derecognised while the new financial liability is recognised;
- III. Where the contractual terms of a financial liability (or a part of a financial liability) are substantially altered, the financial liability is dercognised in full and a new financial liability reflecting the contractual terms after alteration is recognised.

Purchase or sale of a financial instrument in a regular-way is recognised and derecognised using trade date accounting. A regular-way purchase or sale of a financial instrument is a transaction under a contract whose terms require delivery of the instrument within the timeframe established generally by regulations or convention in the market place concerned. Trade date is the date on which the entity commits itself to purchase or sell aA financial instrument.

3.10.2 Classification and measurement of financial assets

A financial asset is recognised as one of the following upon initial recognition based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

- I. a financial asset at amortised cost;
- II. a financial asset at fair value through profit or loss (FVATPL); or
- III. a financial asset at fair value through other comprehensive income (FVATOCI).

Reclassification of a financial asset is permitted if, and only if, the objective of the entity's business model for managing the financial asset changes. In this circumstance, all affected financial assets are reclassified on the first day of the first reporting period after the changes in business model; otherwise a financial asset cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at fair value through profit or loss, transaction costs are recognised in current profit or loss. For financial assets not measured at fair value through profit or loss, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

I. Financial assets at amortised cost

A financial asset is classified as a financial asset at amortised cost when both the following conditions are satisfied:

- i. the financial asset is held within the business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- ii. the contractual term of the financial asset gives rise to cash flows on specified dates that are solely payment of principal and interest on the outstanding principal amount.

A financial asset at amortised cost is subsequently measured at amortised cost by adopting the effective interest rate method. Any gain or loss arising from derecognition, amortisation computed using the effective interest rate method, and impairment are recognised in current profit or loss.

II. Financial assets at fair value through other comprehensive income (FVATOCI)

A financial asset is classified as a FVATOCI when both the following conditions are satisfied:

- i. the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial asset; and
- ii. the contractual term of the financial asset gives rise to cash flows on specified dates that are solely payment of principal and interest on the outstanding principal amount.

A FVATOCI is subsequently measured at fair value with changes in fair value recognised in other comprehensive income except for the following gain or loss, which is recognised in current profit or loss:

- i. gain or loss arising from impairment or exchange differences; and
- ii. interest income calculated based on the effective interest rate

Where a non-trading equity instrument investment is irrevocably designated as a FVTAOCI, fair value change is recognised in other comprehensive income and dividend income is recognised in current profit or loss. Upon derecognised, cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

III Financial assets at fair value through profit or loss (FVATPL)

A financial asset which is neither a financial asset at amortised cost nor a FVATOCI is classified as a FVATPL. A FVATPL is subsequently measured as fair value with changes in fair value recognised in current profit or loss.

3.10.3 Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVLTPL), loan commitments at a below-market interest rate, financial guarantee contracts, and financial liabilities at amortised cost.

Subsequent measurement of financial assets will be based on the classification:

I. Financial liabilities at fair value through profit or loss (FVLTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as FVLTPL are classified as financial liabilities at FVLTPL. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those to which hedge accounting is applied. For a financial

liability that is designated as a FVLTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer is recognised in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under other comprehensive income is reclassified to retained earnings.

II. Loan commitments and financial guarantee contracts

A loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments is recognised based on expected credit losses model.

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract liability shall be subsequently measured at the higher of the amount determined in accordance with the accounting policies applicable to impairment of a financial asset and the amount initially recognised less the cumulative amortisation calculated in accordance with the accounting policies applicable to revenue.

III. Financial liabilities at amortised cost

A financial liability at amortised cost is subsequently measured at its amortised cost calculated using the effective interest rate method.

Unless in exceptional case, financial liabilities and equity instruments are classified in the following ways:

I. Where the issuer of a financial instrument has no unconditional right to avoid delivering cash or another financial asset(s) to fulfill an obligation, this obligation meets the definition of a financial liability. A contract of a financial instrument may not explicitly comprise terms and conditions relating to a obligation of delivery cash or another financial asset(s), it may implicitly include such obligation through other terms and conditions.

II. Where a financial instrument can only or may be settled by the issuer's own equity instruments:

i. if the issuer's equity instruments are a substitution of cash or other financial asset(s), the financial instrument is the issuer's liability;

ii. if the issuer's equity instruments enable the holder to the issuer's residual interest after deducting all of the issuer's liabilities from all of the issuer's assets, the financial instrument

is the issuer's equity instrument.

In certain cases, a financial instrument can only or may be settled by the issuer's own equity instruments and the settlement amount is calculated by multiplying the number of equity instruments deliverable with the fair value of the equity instrument at the settlement date, the instrument is the issuer's financial liability regardless of whether the settlement amount is fixed or determinable wholly or partly by variables other than the market price of the issuer's own equity instrument (such as interest rate, market price of a commodity, or price of a financial instrument).

3.10.4 Derivatives and embedded derivatives

A financial derivative is initially measured at its fair value at the inception date of the derivative contract and subsequently measured at fair value. At initial recognition, a financial derivative with fair value at positive amount is recognised as an asset and as a liability is the fair value is at negative amount.

Except for the change of fair value of the effective portion of a cash flow hedge, which is recognised other comprehensive income and reclassified to profit or loss upon cease of hedging effectiveness, change of fair value of a financial financial derivative in recognised in current profit or loss.

Where the non-derivative part of a hybrid instrument is a financial asset, the hybrid instrument is as a whole accounted for a financial asset.

Where the non-derivative part of a hybrid instrument is a non-financial asset, the derivative part is separately accounted for as a financial derivative if all of the following conditions are satisfied:

- I. the hybrid instrument is not accounted for at fair value through profit or loss;
- II. the economic characteristics and risks of the derivative part is not closely related to those of the non-derivative part; and
- III. a stand-alone instrument with characteristics similar to the derivative part is a financial derivative.

Where the fair value of the derivative part of a hybrid instrument with the non-derivative part being a non-financial asset cannot be individually measured either upon or subsequent to

initial recognition, the hybrid instrument as a whole is accounted as either a FVATPL or FVLTPPL.

3.10.5 Impairment of financial instruments

Impairment allowance for financial assets at amortised costs, FVATOCI, contract assets, lease receivables, loan commitments and financial guarantee contracts is recognised on the basis of their expected credit loss.

I. Measurement of expected credit loss

Expected credit loss are the weighted average of credit loss of a financial instrument with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (ie all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate in the case of purchased credit-impaired financial assets or financial assets with originated credit impairment.

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

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit-impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low

credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (ie, impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortised cost after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

i. Receivables

For the notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognise the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

A. Notes receivables:

Group 1: Commercial acceptance

Group 2: Bank acceptance

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

B. Accounts receivable:

Group 1: Related parties within the scope of consolidation

Group 2: Receivables due from third parties

The expected credit loss for a portfolio of accounts receivable is computed using the expected credit loss rate over the entire lives of the accounts receivable and the age groups of these accounts receivable while taking into consideration of their historical credit loss and the assessment for current and expected general economic conditions.

C. Other receivables:

Group 1: Related parties within the scope of consolidation

Group 2: Receivables due from third parties

The expected credit loss for a portfolio of other receivables is computed using the expected credit loss rate over the next 12 months of the other receivables and their exposure to default risk while taking into consideration of their historical credit loss and the assessment for current and expected general economic conditions.

ii. Debts investment and other debt investments

The expected credit loss for a debt investment or other debt investment is computed using the expected credit loss rate over the next 12 months or the entire life of the investment and its exposure to default risk while taking into consideration of its nature.

II. Low credit risk

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 fulfill its contractual cash flow obligations.

III. Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information

considered by the Company are as following:

- i. significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception;
- ii. existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- iii. an actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- iv. significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- v. significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments
- vi. expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- vii. significant changes in the expected performance and behaviour of the borrower
- viii. contractual payments are not less than 30 days past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that

the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

IV. Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortised cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

V. Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition(or reversal). For financial asset at amortised cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

VI. Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of

the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognised in profit or loss as reversal of impairment loss.

3.10.6 Transfer of financial assets

An entity may transfer a financial asset by either transferring the contractual rights to the cash flows of the financial asset to another party or transferring the financial asset to another party while retaining the contractual rights to the cash flows of the financial asset and assuming the contractual obligations to deliver cash flows received to one or multiple parties.

I. Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognised.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognised in profit or loss:

- i. the carrying amount of transferred financial asset;
- ii. the sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated

between the part that continues to be recognised (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised) and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognised in profit or loss:

- i. the carrying amount (measured at the date of derecognition) allocated to the part derecognised
- ii. the sum of the consideration received for the part derecognised and part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

II. Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognise an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

III. Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

3.10.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of

financial position:

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company shall not offset the transferred asset and the associated liability.

3.10.8 Determination of fair value of financial instruments

See Note 3.11 for determination of fair value of financial instruments.

3.11 Determination of fair value

Fair value refers to 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.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3.11.1 Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for

which sufficient data are available to measure fair value, including the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs is not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

3.11.2 Fair value hierarchy

To Company establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

3.12 Inventories

3.12.1 Classification of inventories

Inventories are finished goods or products held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, semi-finished goods, work in progress, finished goods, merchandises, consumables, etc.

3.12.2 Measurement method applicable to issuance of inventories

Inventories are measured at actual cost at recognition. The actual cost of an item of inventories comprises the purchase cost, cost of processing and other costs. Inventories are

issued at weighted average cost.

3.12.3 Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

3.12.4 Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realisable value of the inventories is recognised as provision for impairment of inventory, and recognised in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

3.12.4.1 In normal operation process, finished goods, products and materials for direct sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

3.12.4.2 For materials in stock need to be processed, in the ordinary course of production and business, net realisable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realisable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realisable value, the materials are measured at net realisable value and differences shall be recognised at the provision for impairment.

3.12.4.3 Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

3.12.4.4 If any factor rendering write-downs of the inventories has been eliminated at the

reporting date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

3.12.5 Amortisation method of low-value consumables

A low-value consumable is amortised in full upon issuance. A packaging material is amortised in full upon issuance.

3.13. Contract assets and contract liabilities

Contract assets and contract liabilities are recognised on the basis of fulfilment of performance obligations and payment received from clients. A right to receive a promised consideration from a client resulting from goods transferred to or services provided to the client (where the right to consideration is dependent on factors other than the passage of time) is recognised a contract asset. A payment received from a client for which goods shall be transferred to or services shall be provided to the client is recognised as a contract liability.

See Note 3.10 for impairment of contract assets.

Contract assets and contract liabilities are presented as line items on the statement of financial position. A contract asset and contract liability arising from one contract are presented in net; while the net amount is a debit balance, it is presented in contract assets or other non-current assets depending on liquidity; while the net amount is a credit balance, it is presented in contract liabilities or other non-current liabilities depending on liquidity. Contract assets and contract liabilities arising from different contracts are not be offset.

3.14 Contract costs

Costs for a contract include costs to fulfill the contract and costs to obtain the contract.

An asset is recognised for the costs incurred to fulfill a contract on if those costs meet all of the following criteria:

- I. the costs are directly associated with a contract or an anticipated contract, explicitly chargeable to the client under the contract, incurred only for the contract;
- II. the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- III. the costs are expected to be recovered.

An asset is recognised for the costs incurred to obtain a contract with a client if those costs are expected to be recovered.

An asset recognised for the costs of a contract are amortised on a systematic basis that is consistent with recognition of revenue arising from the contract. Where the costs incurred to obtain a contract would be amortised for a period less than one year should they be recognised as an asset, the costs are recognised in the current profit or loss as incurred.

An impairment is recognised for an asset recognised for the costs of a contract to the extent that the carrying amount of the asset exceeds:

- I. the remaining amount of consideration that is expected to be received in exchange for the goods or services to which the asset relates; less
- II. the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Upon recognition of the impairment, further consideration is given for provision for an onerous contract, in necessary.

A reversal of some or all of an impairment loss previously recognised for an asset for the costs of a contract when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset is capped by the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

An asset recognised for the costs to fulfill a contract is presented in inventories if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

An asset recognised for the costs to obtain a contract is presented in other current assets if its amortisation is not longer than 1 year or an operating cycle upon initial recognition; otherwise, it is presented in other non-current assets.

3.15 Long-term equity investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

3.15.1 Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

3.15.2 Determination of initial investment cost

3.15.2.1 Long-term equity investments arising from business combination

3.15.2.1.1 For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

3.15.2.1.2 For a business combination involving enterprises under common control, if the

Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognised as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

3.15.2.1.3 For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognised as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognised in profit or loss as incurred.

3.15.2.2 Long-term equity investments not arising from business combination

3.15.2.2.1 For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

3.15.2.2.2 For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

3.15.2.2.3 For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

3.15.2.2.4 For long-term equity investment acquired through debt restructuring, the initial cost is measured at the fair value of the equity investment obtained. Difference between the fair value of the equity investment obtained and the book value of the debt given away is recognised in current profit or loss.

3.15.3 Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

3.15.3.1 Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognises its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

3.15.3.2 Equity method

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognises the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee's net profits or losses after making appropriate adjustments of investee's net profit based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are

eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as Other equity instrument investment, difference between its fair value and the carrying value, in addition to the cumulative gain or loss previously recorded in other comprehensive income, shall be recognised into current profit or loss at the time when the equity method becomes applicable.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognised in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognised in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

3.15.4 Held-for-sale equity investments

The remaining equity investment after partial disposal, which is not classified as held-for-sale, is accounted for by the equity method.

If a held-for-sale equity investment no longer satisfies the conditions for classifying as held-for-sale, it is retrospectively adjusted from the date on which it was classified as held-for-sale using the equity method. The financial statements for the period during which the investment was classified as held-for-sale are respectively restated.

3.15.5 Impairment of long-term equity investments

See Note 3.22 for details.

3.16 Investment properties

3.16.1 Classification

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- I. Land use right leased out;
- II. Land held for transfer upon appreciation;
- III. Buildings leased out.

3.16.2 Measurement

Investment properties are subsequently measured by the cost method. See Note 3.22 for impairment of investment properties.

The residual after deducting the scrap value and cumulative impairment from the historical cost of an item of investment properties is depreciated or amortised using the straight-line method.

3.17 Fixed assets

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

3.17.1 Recognition

Fixed assets will only be recognised at the actual cost paid when obtaining as all the following criteria are satisfied:

- I. It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- II. The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

3.17.2 Depreciation

The Company begins to depreciate the fixed asset from the next month after it is available for

intended use using the straight-line-method. The estimated useful life and annual depreciation rates which are determined according to the categories. The estimated economic useful lives and estimated net residual rates of fixed assets are listed as followings:

Category	Depreciation method	Useful life in years	Scrap value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight line	8.00-35.00	3.00-5.00	2.70-12.10
Machinery	Straight line	8.00-10.00	3.00-5.00	9.50-12.10
Transportation vehicles	Straight line	4.00	3.00	24.25
Administrative and other devices	Straight line	3.00	3.00	32.33

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

3.17.3 Fixed assets acquired through financial lease

Where a leasing arrangement transfers substantially all risks and rewards associated with the leased item to the Group, the lease is regarded as a finance lease and the leased item is recognised as an item of fixed assets. An item of fixed asset obtained from a finance lease is measured upon recognition at the lower of the fair value of the leased item and the present value of the minimum lease payment as of the lease inception date. An item of fixed asset obtained through a finance lease is depreciated in accordance with the depreciation method applicable to the category of fixed assets to which the lease item belongs. If it is reasonably certain that ownership of the lease item will transfer to the Group upon expiry of the lease, the leased item is depreciated over its useful life; if, however, transfer of ownership of the leased item upon expiry of the lease to the Group cannot be reasonably expected, the leased item is depreciated over the shorter of its useful life and the lease term.

3.18 Construction in progress

3.18.1 Construction in progress is measured on an individual project basis.

3.18.2 Transfer to fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.19 Right-of-use assets

At the lease commencement date, a right-of-use asset is measured at cost. The cost of a right-of-use asset comprise:

- I. the amount of the initial measurement of the lease liability;
- II. any lease payments made at or before the commencement date, less any lease incentives received;
- III. any initial direct costs incurred by the Group; and
- IV. an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A right-of-use asset is subsequently measured at cost. If it is reasonably certain that ownership of the lease item will transfer to the Group upon expiry of the lease, the leased item is depreciated over its useful life; if, however, transfer of ownership of the leased item upon expiry of the lease to the Group cannot be reasonably expected, the leased item is depreciated over the shorter of its useful life and the lease term. Where a leased item has recorded impairment, its residual value after deducting the impairment allowance is depreciated in

accordance the principle described in this paragraph.

3.20 Borrowing costs

3.20.1 Capitalisation

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

- I. Expenditures for the asset are being incurred;
- II. Borrowing costs are being incurred, and;
- III. Acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognised as expenses when incurred.

3.20.2 Capitalisation rate and capitalised amount

When funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalisation are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

3.21 Intangible assets

3.21.1 Initial measurement

An intangible assets is initial measured at the actual cost of acquisition

3.21.2 Useful lives

3.21.2.1 Intangible assets with define useful lives

Category	Useful life in years	Basis for useful life determination
Land use rights	40-50	Legal right to use
Patents	10	Period that the asset can generate economic benefits
Software	3-5	Period that the asset can generate economic benefits
Trademarks	10	Period that the asset can generate economic benefits

For intangible assets with finite useful life, the estimated useful life and amortisation method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incur in current year in the estimated useful life and amortisation method upon review.

3.21.2.2 Assets of which the period to bring economic benefits to the Company are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

3.21.2.3 Amortisation

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition and systematically amortised on a straight-line basis [units of production method] over the useful life. The amortisation amount shall be recognized into current profit or loss according to the beneficial items. The amount to be amortised is cost deducting residual value. For intangible assets which has impaired, the cumulative impairment provision shall be deducted as well. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets with indefinite useful lives shall not be amortised. The Company reassesses

the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated and the intangible assets shall be amortised systematically and reasonably within the estimated useful lives.

3.21.3 Research and development expenditure

3.21.3.1 Preparation activities related to materials and other relevant aspects undertaken by the Company for the purpose of further development shall be treated as research phase. Expenditures incurred during the research phase of internal research and development projects shall be recognised in profit or loss when incurred.

3.21.3.2 Development activities after the research phase of the Company shall be treated as development phase.

3.21.4 Capitalisation of research and development expenditure

Expenditures arising from development phase on internal research and development projects shall be recognised as intangible assets only if all of the following conditions have been met:

- I. Technical feasibility of completing the intangible assets so that they will be available for use or sale;
- II. Its intention to complete the intangible asset and use or sell it;
- III. The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;
- IV. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- V. Its ability to measure reliably the expenditure attributable to the intangible asset.

3.22 Impairment of long-term assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties, fixed assets, constructions in progress, and intangible assets subsequently measured at cost shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any

indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of an group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognised accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, good will shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and calculate the recoverable amount and recognize the impairment loss. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognise the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognised.

3.23 Long-term deferred expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortised over current and subsequent periods with the amortisation period exceeding one year. Long-term deferred expenses are evenly amortised over the beneficial period.

3.24 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee benefits are presented in the statement of financial position as “Employee benefits payable” and “Long-term employee benefits payable”.

3.24.1 Short-term employee benefits

3.24.1.1 Salaries, wages, allowances and subsidies

The Company recognises, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit except for those recognised as capital expenditure based on the requirement of accounting standards.

3.24.1.2 Welfare

The Company shall recognise the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair value as it is a non-monetary benefits.

3.24.1.3 Social securities such as medical insurance and work-place injury insurance, housing funds, labor union fund and employee education fund

Payments made by the Company of social insurance for employees, such as medical insurance and work-place injury insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognised in current profit or loss or the cost of relevant asset.

3.24.1.4 Short-term paid absences

The company shall recognise the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognise relevant employee benefit of non-accumulating paid absences when the absences actually occurred.

3.24.1.5 Short-term profit-sharing plan

The Company shall recognise the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- I. The Company has a present legal or constructive obligation to make such payments as a result of past events; and
- II. A reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

3.24.2 Post-employment benefits

3.24.2.1 Defined contribution plans

The Company shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the current profit or loss or the cost of a relevant asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

3.24.2.2 Defined benefit plans

I. Present value of defined benefit obligation and current service costs

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using

relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

II. Net assets or liabilities of a defined benefit plan

The net defined benefit liability (asset) is the deficit or surplus recognised as the present value of the defined benefit obligation less the fair value of plan assets (if any).

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

III. Amount recognised as plan assets or charged to the current profit or loss

Service cost comprises current service cost, past service cost and any gain or loss on settlement. Other service cost shall be recognised in profit or loss unless accounting standards require or allow the inclusion of current service cost within the cost of assets.

Net interest on the net defined benefit liability (asset) comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling, shall be included in profit or loss.

IV. Amount recognised in other comprehensive income

Changes in the net liability or asset of the defined benefit plan resulting from the remeasurements including:

- i. Actuarial gains and losses, the changes in the present value of the defined benefit obligation resulting from experience adjustments or the effects of changes in actuarial assumptions;
- ii. Return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;
- iii. Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognised in other comprehensive income within equity.

3.24.3 Termination benefits

The Company providing termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- I. When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or
- II. When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

3.24.4 Other long-term employee benefits

3.24.4.1 Other long-term employee benefits satisfying the recognition conditions applicable to defined contribution plans

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, all those benefits payable shall be accounted for as employee benefits payable at their discounted value.

3.24.4.2 Other long-term employee benefits satisfying the recognition conditions applicable to defined benefit plans

At the end of the reporting period, the Company recognised the cost of employee benefit from other long-term employee benefits as the following components:

- I. Service costs;
- II. Net interest cost for net liability or asset of other long-term employee benefits;
- III. Changes resulting from the remeasurements of the net liability or asset of other long-term employee benefits.

In order to simplify the accounting treatment, the net amount of above items shall be recognised in profit or loss or relevant cost of assets.

3.25 Lease liabilities

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments comprise:

- I. fixed payments, or in-substance fixed payments, less any lease incentives receivable;
- II. variable lease payments that depend on an index or a rate;
- III. the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- IV. payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease; and
- V. amounts expected to be payable by the Group under residual value guarantees.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The excess of the lease payments over its present value is amortised over the lease term as interest expenses using the discount rate. A variable lease payment which is not included in the initial measurement of the lease liability is recognised in profit or loss when incurred.

3.26 Provisions

3.26.1 Recognition

A provision is recognised for an obligation associated with a contingent event when the following conditions are satisfied:

- I. The obligation is a present obligation assumed by the entity;
- II. It is probable that fulfillment of the obligation will result in outflows of economic benefits from the entity;
- III. The amount of the obligation can be reliably measured.

3.26.2 Measurement

A provision is initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the provision shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best

estimate of the provision, the carrying amount shall be adjusted based on the updated best estimate.

3.27 Revenue

3.27.1 General policy

Revenue is total economic inflows arising from the Company's daily operation which result in increases in equity, other than those relating to contributions from holders of equity claims.

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. A customer has control of an asset when (or as) the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

Where a contract include two or more performance obligations, the Company allocate the transaction price, upon inception of the contract, to each performance obligation identified in the contract on a relative stand-alone selling price basis, revenue associated with each performance obligation is measured at the allocated price.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer 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 a contract contains a significant financing component, the Company recognizes revenue 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 (ie the cash selling price); the difference between the amount of promised consideration and the cash selling price of the promised goods or services is amortised over the life of the contract using the effective interest rate method. The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Comopany expects, at contract inception, that the period between when the Company 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 Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- I. the customer simultaneously receives and consumes the benefits provided by the Company's performance as the entity performs;
- II. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- III. the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless the progress towards complete satisfaction cannot be reliably measured. The Company uses either the input method or output method to measure the progress towards complete satisfaction of a performance obligation. When the progress towards complete satisfaction of a performance obligation cannot be reliably measured, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Where a performance obligation is satisfied at a point in time, the Company recognises revenue when (or as) the customer obtains control of the transferred asset (either goods or service). To determine the point in time at which a customer obtains control of a promised asset, the Company considers the following indicators:

- I. The Company has a present right to payment for the asset, ie. the customer has the present obligation to pay for the asset.
- II. The legal title to the asset has been transferred to the customer, ie. the customer has the legal title to the asset.
- III. The Company has transferred physical possession of the asset, ie. the customer has physical possession of the asset.
- IV. The significant risks and rewards of ownership of the asset has been transferred to the customer, ie. the customer has obtained the significant risks and rewards of ownership of the asset.

V. The customer has accepted the asset.

VI. Other indication that the customer has obtained control over the asset.

3.27.2 Specific policies

Revenue recognition methods of the Company are as follows:

3.27.2.1 Revenue from sales of goods

According to the contract of sales of goods between the Company and the customer, the Company satisfies a performance obligation by transferring goods to the customer, which is a performance obligation satisfied at a point in time.

Revenue from domestic sales of goods can only be recognised when the following conditions are satisfied: the Company has transferred the promised goods to the customer according to the contract and the customer has accepted the goods; the payment has been received or the receipt voucher has been obtained and it is highly probable that the economic benefits associated will flow into the Company; the significant risks and rewards of ownership of the asset has been transferred; legal title of the asset has been transferred.

3.27.2.2 Revenue from rendering of services

The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs, Company satisfies a performance obligation by rendering of services to the customer, which is a performance obligation satisfied over time. For each performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The customer can't simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs, the Company's performance does not create an asset with an alternative use and the Company has no enforceable right to payment for performance completed to date at all times throughout the duration of the contract, Revenue from rendering of services is a performance obligation satisfied at a point in time. The company recognizes revenue when the company completes technical services in accordance with the contractual agreement

3.27.2.3 Revenue from usage of assets

Revenue from usage of the Group's assets is recognised if the revenue can be reliably

measured and it is probable that the associated economic benefits will flow to the Group.

Revenue from usage of assets mainly includes the income from the leasing of premises and houses. Revenue measured in accordance with the method determined by the respective contracts.

3.28 Government grants

3.28.1 Recognition

A government grant shall not be recognised until there is reasonable assurance that:

- I. The Company will comply with the conditions attaching to them; and
- II. The grants will be received.

3.28.2 Measurement

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a nominal value of CNY 1.00 when reliable fair value is not available.

3.28.3 Accounting for government grant

3.28.3.1 Asset-related government grants

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognised as deferred income, and should be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

3.28.3.2 Income-related government grants

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants shall be recognised as deferred

income and included into profit or loss in the same period as the relevant expenses or losses are recognised;

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognised into current profit or loss.

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.

Government grants related to daily operation activities are recognised in other income in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognised in non-operating income.

3.28.3.3 Loan interest subsidies

When loan interest subsidy is allocated to the bank, and the bank provides a loan at lower-market rate of interest to the Company, the loan is recognised at the actual received amount, and the interest expense is calculated based on the principal of the loan and the lower-market rate of interest.

When loan interest subsidy is directly allocated to the Company, the subsidy shall be recognised as offsetting the relevant borrowing cost.

3.28.3.4 Repayment of government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognised into current profit or loss; or directly recognised into current profit or loss for other circumstances.

3.29 Deferred tax assets and deferred tax liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date. The Company recognises and measures the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

3.29.1 Recognition of deferred tax assets

Deferred tax assets should be recognised for deductible temporary differences, the

carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilised at the tax rates that are expected to apply to the period when the asset is realised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

I. is not a business combination; and

II. at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The Company shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, only to the extent that, it is probable that:

I. the temporary difference will reverse in the foreseeable future; and

II. taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognises a previously unrecognised deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

3.29.2 Recognition of deferred tax liabilities

A deferred tax liability shall be recognised for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled.

No deferred tax liability shall be recognised for taxable temporary differences arising from:

I. the initial recognition of goodwill; or

II. the initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

- I. the Company is able to control the timing of the reversal of the temporary difference; and
- II. it is probable that the temporary difference will not reverse in the foreseeable future.

3.29.3 Recognition of deferred tax liabilities or assets involved in special transactions or events

3.29.3.1 Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognised, and simultaneously, goodwill recognised in the business combination shall be adjusted based on relevant deferred tax expense (income).

3.29.3.2 Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of other debt investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

3.29.3.3 Unused tax losses and unused tax credits

3.29.3.3.1 Unused tax losses and unused tax credits generated from daily operation of the Company itself

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. Income taxes in current profit or loss shall be deducted as well.

3.29.3.3.2 Unused tax losses and unused tax credits arising from a business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

3.29.3.4 Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

3.29.3.5 Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

3.30 Leases

3.30.1 Identifying a lease

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets 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 for a period of time, the Company shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

3.30.2 Identifying a separate lease component

When a contract includes more than one separate lease components, the Company shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied:

- a. the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee;
- b. the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3.30.3 The Company as a lessee

At the commencement date, the Company identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically of low value. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all asset included in short-term leases or leases for which the underlying asset is of low value/ all the short-term leases or leases for which the underlying asset is of low value, the Company shall recognise the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line basis over the lease term.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the Company shall recognise a right-of-use asset and a lease liability.

3.30.3.1 Right-of-use assets

A right-of-use asset represents the right of the Company to use an asset over the life of a lease.

At the commencement date, the Company shall initially measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company recognises and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to Notes 3.12. Those costs incurred to produce inventories shall be included in the cost of inventories.

The right-of-use asset shall be depreciated according to the categories using straight-line method or units of production method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be determined based on the classification of the right-of-use asset and estimated residual value rate from the commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset 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.

3.30.3.2 Lease liability

A lease liability shall be measured at the present value of the lease payments that are not paid at the commencement date. The lease payments include the followings:

- (a) Fixed payments and in-substance fixed payments, less any lease incentives if exist; and
- (b) Variable lease payments that depend on an index or a rate; and
- (c) The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (d) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- (e) Amounts expected to be payable by the lessee under residual value guarantees.

The Company uses the interest rate implicit in the lease to discount the lease payments. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate as discount rate.

The difference between the lease payment and its present value shall be recognized as unrecognised financial charges, calculated based on the discount rate of the present value of the lease payments in each period within the lease term and recorded as interest expense in current profit or loss. Variable lease payments not included in the measurement of lease liabilities shall be recognised in current profit or loss when incurred.

After the commencement date, the Company shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

3.30.4 Lease modifications

Where there is a modification on operating lease, the Company considers it to be a new lease from the effective date of the modification, and the advances from customer and receivables related to lease payments before the modification shall be considered as payments for new lease.

3.30.5 Sale and leaseback transactions

The Company shall determine whether the transfer of an asset under the sale and leaseback transaction is a sale of that asset according to the policies in Note 3.27.

3.30.4.1 The Company as a seller (lessee)

If the transfer of the asset is not a sale, the Company shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability according to Note 3.10. If the transfer of the asset is a sale, the Company shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

3.30.4.2 The Company as a buyer (lessor)

If the transfer of the asset is not a sale, the Company shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset according to Note 3.10. If the transfer of the asset is a sale, the Company shall account for the purchase of the asset applying applicable Accounting Standards of Business Enterprises, and for the lease applying the lessor accounting requirements.

3.31 Change of significant accounting policies and significant accounting estimates

3.31.1 Change of significant accounting policies

There is no Change of significant accounting policies in the current period.

3.31.2 Change of significant accounting estimates

There is no change of significant accounting estimates in the current period.

Note 4 Taxes**4.1 Major taxes and tax rates**

Tax	Tax base	Tax rate
Value added tax (VAT)	Value added in the course of sales of goods and rendering of services	13%, 9%, 6%
Consumption duty	Taxable revenue	Tax by quantity: CNY 1.00 per kilogram or litre of distilled wine sold; Tax by revenue: 20% on taxable revenue from sale of distilled wine
Urban maintenance and construction tax	Transaction tax payable	7%, 5%
Education surcharge	Transaction tax payable	3%
Local education surcharge	Transaction tax payable	2%
Corporate income tax (CIT)	Taxable income	25%

The CIT rate applicable to the Company is 25%. The CIT rates applicable to certain subsidiaries are presented below.

Entity	CIT rate
Longrui Glass	15.00%
Ruisi Weier	15.00%
Runan Xinke	15.00%
Yashibo	2.50%
GJ Guest House	2.50%
Junlou Culture	2.50%
HHL Beverage	2.50%
Xinjia Testing	Taxable income up to CNY 1 million: 2.50% Taxable income between CNY 1 million and CNY 3 million: 5.00%
Jiuan Electric	2.50%
Jiudao Media	Taxable income up to CNY 1 million: 2.50% Taxable income between CNY 1 million and CNY 3 million: 5.00%
Anjie Technology	2.50%
Theme Hotel	2.50%
GJ Health Technology	15.00%

4.2 Preferential tax treatments

4.2.1 Ruisi Weier's High-Tech Enterprise Status was jointly approved by the Anhui Science and Technology Department (Anhui STD), Anhui Finance Department (Anhui FiD) and Anhui Tax Office (Anhui PAT) through WanKeQiMi [2022] No. 482 and was issued the High-Tech Enterprise Certificate (GR202234000476) with the validity term of 3 years. In accordance with the Corporate Income Tax Law of the People's Republic of China, the CIT rate applicable to Ruisi Weier for the period from 1 January 2022 to 31 Decmeber 2024 is 15%.

4.2.2 Longrui Glass's High-Tech Enterprise Status was jointly approved by the Anhui STD, Anhui FiD and Anhui PAT through WanKeQiMi [2022] No. 482 and was issued the High-Tech Enterprise Certificate (GR202234004359) with the validity term of 3 years. In accordance with the Corporate Income Tax Law of the People's Republic of China, the CIT rate applicable to Longrui Glass for the period from 1 January 2022 to 31 Decemeber 2024 is 15%.

4.2.3 Runan Xinke's High-Tech Enterprise Status was jointly approved by the Anhui STD, Anhui FiD and Anhui PAT through WanKeGaoMi [2022] No. 49 and was issued the High-Tech Enterprise Certificate (GR202134004920) with the validity term of 3 years. In accordance with the Corporate Income Tax Law of the People's Republic of China, the CIT rate applicable to Runan Xinke for the period from 1 January 2021 to 31 Decmeber 2023 is 15%.

4.2.4 GJ Health Technology's High-Tech Enterprise Status was jointly approved by the Anhui STD, Anhui FiD and Anhui PAT through WanKeGaoMi and was issued the High-Tech Enterprise Certificate (GR202134004641) with the validity term of 3 years. In accordance with the Corporate Income Tax Law of the People's Republic of China, the CIT rate applicable to GJ Health Technology for the period from 1 January 2021 to 31 Decmeber 2023 is 15%.

4.2.5 In accordance with MoF&SAT Announcement [2021] No. 12 and [2021] No. 8 jointly issued by the Ministry for Finance and State Administration of Taxation, 87.5% of the first CNY 1 million annual taxable income of a qualified small enterprise with small profit for the period from 1 January 2021 to 31 Decmeber 2022 is exempted from CIT and the CIT rate applicable to the remaining 12.5% is 20%; In accordance with MoF&SAT Announcement [2022] No. 13 jointly issued,25% of the annual taxable income between CNY 1 million and CNY 3 million of a qualified small enterprise with small profit for the period from 1 January 2022 to 31 December 2024 is exempted from CIT and the CIT rate applicable to the remaining 12.5% is 20%; GJ Guest House,Theme Hotel, Anjie Technology, Junlou Culture, HHL Beverage, Xinjia Testing, Jiuan Electric, Jiudao Media, and Yashibo are eligible to this preferential tax treatment.

Note 5 Notes to the consolidated financial statements

5.1 Monetary funds

	31/12/2022	31/12/2021
Cash on hand	111,642.11	135,129.66
Cash at bank	13,698,187,278.75	11,891,283,646.58
Other monetary funds	74,262,220.44	33,503,995.52
Total	13,772,561,141.30	11,924,922,771.76

Cash at bank as of the statement date included fixed term deposits Certificate of deposit for bank acceptance at CNY 600 million, other monetary funds as of the statement date included margin deposits not eligible for early redemption at CNY 67.19 million. Except for the pre-mentioned, monetary funds as of the statement date was not subject to limitation on usage such as pledging or freezing or risk on recovery.

5.2 Financial assets held for trading

	31/12/2022	31/12/2021
FVTPL	1,782,687,769.66	2,661,103,876.68
T/o: Structural financial products	1,580,352,899.17	2,457,565,232.32
Fund investments	202,334,870.49	203,538,644.36
Total	1,782,687,769.66	2,661,103,876.68

5.3 Accounts receivable

5.3.1 Disclosure by age group

Age group	31/12/2022	31/12/2021
Within 1 year	60,886,443.44	97,023,731.05
T/o: Within 6 months	57,829,416.75	92,114,086.85
7 months to 1 years	3,057,026.69	4,909,644.20
1 to 2 years	10,382,550.23	883,133.28
2 to 3 years	405,162.30	137,464.27
Over 3 years	137,464.27	1,146,581.68
Gross	71,811,620.24	99,190,910.28
Less: Impairment allowance	9,122,951.30	10,185,106.11
Net	62,688,668.94	89,005,804.17

5.3.2 Disclosure by method of impairment

	31/12/2022				Net
	Gross		Impairment allowance		
	Amount	% of total	Amount	Impairment %	
Individual assessment	7,792,783.72	10.85	7,792,783.72	100.00	-

	31/12/2022				
	Gross		Impairment allowance		Net
	Amount	% of total	Amount	Impairment %	
Portfolio assessment	64,018,836.52	89.15	1,330,167.58	2.08	62,688,668.94
T/o: Group 1	-	-	-	-	-
Group 2	64,018,836.52	89.15	1,330,167.58	2.08	62,688,668.94
Total	71,811,620.24	100.00	9,122,951.30	12.70	62,688,668.94

(Continued)

	31/12/2021				
	Gross		Impairment allowance		Net
	Amount	% of total	Amount	Impairment %	
Individual assessment	7,792,783.72	7.86	7,792,783.72	100.00	-
Portfolio assessment	91,398,126.56	92.14	2,392,322.39	2.62	89,005,804.17
T/o: Group 1					
Group 2	91,398,126.56	92.14	2,392,322.39	2.62	89,005,804.17
Total	99,190,910.28	100.00	10,185,106.11	10.27	89,005,804.17

Group 2 Receivables

Age group	31/12/2022		
	Gross	Impairment allowance	Impairment %
Within 1 year	60,886,443.44	731,145.50	1.20
T/o: Within 6 months	57,829,416.75	578,294.17	1.00
7 months to 1 years	3,057,026.69	152,851.33	5.00
1 to 2 years	2,589,766.51	258,976.65	10.00
2 to 3 years	405,162.30	202,581.16	50.00
Over 3 years	137,464.27	137,464.27	100.00
Total	64,018,836.52	1,330,167.58	2.08

(Continued)

Age group	31/12/2021
-----------	------------

	Gross	Impairment allowance	Impairment %
Within 1 year	89,230,947.33	1,088,695.25	1.22
T/o: Within 6 months	84,321,303.13	843,213.03	1.00
7 months to 1 years	4,909,644.20	245,482.22	5.00
1 to 2 years	883,133.28	88,313.32	10.00
2 to 3 years	137,464.27	68,732.14	50.00
Over 3 years	1,146,581.68	1,146,581.68	100.00
Total	91,398,126.56	2,392,322.39	2.62

See Note 3.10 for recognition and measurement of impairment by portfolio.

5.3.3 Movement of impairment allowance

	31/12/2021	Movement	
		Provision	Business combination not under common control
Individually significant receivables subject to individual impairment assessment	7,792,783.72	-	-
Individually insignificant receivables subject to individual impairment assessment			
Group 2	2,392,322.39	63,181.57	32,402.90
Total	10,185,106.11	63,181.57	32,402.90

(Continued)

	Movement		31/12/2022
	Reversal or recovery	Release or write-off	
Individually significant receivables subject to individual impairment assessment	-	-	7,792,783.72
Individually insignificant receivables subject to individual impairment assessment			
Group 2	1,157,739.28	-	1,330,167.58
Total	1,157,739.28	-	9,122,951.30

5.3.4 Top-five accounts receivable as of the statement date

	Gross	% of gross accounts receivable	Impairment allowance
Top 1	9,558,231.54	13.31	95,582.32
Top 2	7,792,783.72	10.85	7,792,783.72
Top 3	7,637,588.66	10.64	76,375.89
Top 4	6,136,326.52	8.55	61,363.27
Top 5	5,030,151.83	7.00	50,301.52
Total	36,155,082.27	50.35	8,076,406.72

5.4 Receivables held for factoring

5.4.1 General disclosure

Type	31/12/2022		
	Gross	Impairment allowance	Net
Bank acceptance	217,419,441.32		217,419,441.32
Commercial acceptance	-	-	-
Total	217,419,441.32		217,419,441.32

(Continued)

Type	31/12/2021		
	Gross	Impairment allowance	Net
Bank acceptance	545,204,103.42	-	545,204,103.42
Commercial acceptance	-	-	-
Total	545,204,103.42	-	545,204,103.42

5.4.2 Notes receivable transferred by endorsement or cashed by discount which are not matured as of the statement date

Type	Amount derecognised	Amount not derecognised
Bank acceptance	3,001,370,176.42	

Notes receivable cashed with discount or transferred with endorsement were originally issued by banks with advanced credit rating. Due the credit rating of the issuing banks, credit risks and risks of delayed payment are relatively low and transferred from the Company upon cashing or transfer. These notes receivable were therefore derecognised upon cashing or

transfer.

5.4.3 No accounts receivable were resulted from reclassification of notes receivables due to issuers' default.

5.4.4 Disclosure by method of impairment

	31/12/2022				
	Gross		Impairment allowance		Net
	Amount	% of total	Amount	Impairment %	
Individual assessment	-	-	-	-	-
Portfolio assessment	217,419,441.32	100.00	-	-	217,419,441.32
T/o: Group 1	-	-	-	-	-
Group 2	217,419,441.32	100.00	-	-	217,419,441.32
Total	217,419,441.32	100.00	-	-	217,419,441.32

(Continued)

	31/12/2021				
	Gross		Impairment allowance		Net
	Amount	% of total	Amount	Impairment %	
Individual assessment	-	-	-	-	-
Portfolio assessment	545,204,103.42	100.00	-	-	545,204,103.42
T/o: Group 1			-		
Group 2	545,204,103.42	100.00	-	-	545,204,103.42
Total	545,204,103.42	100.00	-	-	545,204,103.42

Note 1: No Group 1 receivable was subject to impairment assessment.

Note 2: The Company assessed impairment for Group 2 receivables as of the statement date. Upon the assessment, the Company believed that Group 2 receivables were unlikely subject to loss resulted from the default by issuing banks or other issuers and therefore not subject to significant credit risk.

5.4.5 Movement of impairment allowance

Not applicable.

5.5 Prepayments

5.5.1 Disclosure by age group

Age group	31/12/2022		31/12/2021	
	Amount	% of total	Amount	% of total
Within 1 year	233,344,417.80	99.72	156,395,547.90	99.89
1 to 2 years	631,243.89	0.27	173,426.53	0.11
2 to 3 years	20,000.00	0.01	1,996.56	-
Over 3 years	-	-	-	-
Total	233,995,661.69	100.00	156,570,970.99	100.00

5.5.2 Top-five vendors as of the statement date by prepayment balance

	31/12/2022	% of total
Top 1	174,731,684.07	74.67
Top 2	15,243,789.09	6.51
Top 3	9,645,407.73	4.12
Top 4	3,214,030.00	1.37
Top 5	1,110,794.05	0.47
Total	203,945,704.94	87.14

5.6 Other receivables

5.6.1 General disclosure

	31/12/2022	31/12/2021
Interests receivable		
Dividends receivable		
Other receivables	73,337,415.74	71,753,212.24
Total	73,337,415.74	71,753,212.24

5.6.2 Other receivables

(1) Disclosure by age group

Age group	31/12/2022	31/12/2021
-----------	------------	------------

Age group	31/12/2022	31/12/2021
Within 1 year	68,032,959.87	68,887,383.04
T/o: Within 6 months	66,026,552.80	62,942,239.54
7 months to 1 years	2,006,407.07	5,945,143.50
1 to 2 years	5,801,770.49	2,808,217.47
2 to 3 years	1,686,854.49	2,530,226.11
Over 3 years	44,645,231.37	43,669,449.88
Gross	120,166,816.22	117,895,276.50
Less: Impairment allowance	46,829,400.48	46,142,064.26
Net	73,337,415.74	71,753,212.24

(2) Disclosure by nature

	31/12/2022	31/12/2021
Security investments	38,434,247.10	38,857,584.88
Margin deposits	9,840,126.80	8,788,917.25
Advanced travel expenses	1,172,804.12	1,219,958.15
Rentals and utilities receivable	5,206,927.45	7,910,881.41
Others	65,512,710.75	61,117,934.81
Gross	120,166,816.22	117,895,276.50
Less: Impairment allowance	46,829,400.48	46,142,064.26
Net	73,337,415.74	71,753,212.24

(3) Disclosure by method of impairment

A. Disclosure by the 3-stage model as of the statement date

	Gross	Impairment allowance	Net
Stage 1	81,732,569.12	8,395,153.38	73,337,415.74
Stage 2			
Stage 3	38,434,247.10	38,434,247.10	-
Total	120,166,816.22	46,829,400.48	73,337,415.74

Details of Stage 1 receivables as of the statement date

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment				
Portfolio assessment	81,732,569.12	10.27	8,395,153.38	73,337,415.74
T/o: Group 1				
Group 2	81,732,569.12	10.27	8,395,153.38	73,337,415.74
Total	81,732,569.12	10.27	8,395,153.38	73,337,415.74

Details of Group 2 receivables as of the statement date

Age group	31/12/2022		
	Gross	Impairment allowance	Impairment %
Within 1 year	68,032,959.87	760,564.80	1.12
T/o: Within 6 months	66,026,552.80	660,244.43	1.00
7 months to 1 years	2,006,407.07	100,320.37	5.00
1 to 2 years	5,801,770.49	580,177.04	10.00
2 to 3 years	1,686,854.49	843,427.27	50.00
Over 3 years	6,210,984.27	6,210,984.27	100.00
Total	81,732,569.12	8,395,153.38	10.27

Details of Stage 3 receivables as of the statement date

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment	38,434,247.10	100.00	38,434,247.10	-
Portfolio assessment				
T/o: Group 1				
Group 2				
Total	38,434,247.10	100.00	38,434,247.10	-

Details of receivables subject to individual assessment as of the statement date

	31/12/2022

	Gross	Impairment allowance	Impairment %	Reason for impairment
Hengxin Securities Co., Ltd.	28,733,899.24	28,733,899.24	100.00	In bankruptcy
Jianqiao Securities Co., Ltd.	9,700,347.86	9,700,347.86	100.00	In bankruptcy
Total	38,434,247.10	38,434,247.10	100.00	-

B. Disclosure by the 3-stage model as of 31 December 2021

	Gross	Impairment allowance	Net
Stage 1	79,037,691.62	7,284,479.38	71,753,212.24
Stage 2			
Stage 3	38,857,584.88	38,857,584.88	-
Total	117,895,276.50	46,142,064.26	71,753,212.24

Details of Stage 1 receivables as of 31 December 2021

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment				
Portfolio assessment	79,037,691.62	9.22	7,284,479.38	71,753,212.24
T/o: Group 1				
Group 2	79,037,691.62	9.22	7,284,479.38	71,753,212.24
Total	79,037,691.62	9.22	7,284,479.38	71,753,212.24

Details of Group 2 receivables as of 31 December 2021

Age group	31/12/2021		
	Gross	Impairment allowance	Impairment %
Within 1 year	68,887,383.04	926,679.58	1.35
T/o: Within 6 months	62,942,239.54	629,422.41	1.00
7 months to 1 years	5,945,143.50	297,257.17	5.00
1 to 2 years	2,808,217.47	280,821.74	10.00
2 to 3 years	2,530,226.11	1,265,113.06	50.00
Over 3 years	4,811,865.00	4,811,865.00	100.00

Age group	31/12/2021		
	Gross	Impairment allowance	Impairment %
Total	79,037,691.62	7,284,479.38	9.22

Details of Stage 3 receivables as of 31 December 2021

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment	38,857,584.88	100.00	38,857,584.88	-
Portfolio assessment				-
T/o: Group 1				-
Group 2				-
Total	38,857,584.88	100.00	38,857,584.88	-

Details of receivables subject to individual assessment as of 31 December 2021

	31/12/2021			
	Gross	Impairment allowance	Impairment %	Reason for impairment
Hengxin Securities Co., Ltd.	28,966,894.41	28,966,894.41	100.00	In bankruptcy
Jianqiao Securities Co., Ltd.	9,890,690.47	9,890,690.47	100.00	In bankruptcy
Total	38,857,584.88	38,857,584.88	100.00	-

(4) Movement of impairment allowance

	31/12/2021	Movement				31/12/2022
		Provision	Business combination not under common control	Reversal or recovery	Release or write-off	
Individual assessment	38,857,584.88			423,337.78		38,434,247.10
Portfolio assessment	7,284,479.38	1,768,883.09		654,209.09	4,000.00	8,395,153.38
Total	46,142,064.26	1,768,883.09		1,077,546.87	4,000.00	46,829,400.48

(5) Top-five other receivables as of the statement date

Debtor	Nature	31/12/2022	Age group	% of total gross other receivables	Impairment allowance
Top 1	Security investment	28,733,899.24	Over 3 years	23.91	28,733,899.24
Top 2	Security investment	9,700,347.86	Over 3 years	8.07	9,700,347.86
Top 3	Other	8,750,550.67	Within 6 months	7.28	87,505.51
Top 4	Other	5,351,832.85	Within 6 months	4.45	53,518.33
Top 5	Other	4,446,992.00	Within 6 months	3.70	44,469.92
Total		56,983,622.62		47.41	38,619,740.86

5.7 Inventories

5.7.1 General disclosure

	31/12/2022		
	Gross	Impairment allowance	Net
Raw materials and packaging	384,626,636.25	16,449,308.79	368,177,327.46
Semi-finished goods and work in progress	4,263,603,307.09	0.00	4,263,603,307.09
Merchandises	1,431,913,213.36	5,587,757.03	1,426,325,456.33
Total	6,080,143,156.70	22,037,065.82	6,058,106,090.88

(Continued)

	31/12/2021		
	Gross	Impairment allowance	Net
Raw materials and packaging	236,485,211.32	22,919,192.93	213,566,018.39
Semi-finished goods and work in progress	3,680,675,328.83	0.00	3,680,675,328.83
Merchandises	776,158,681.46	6,943,356.38	769,215,325.08
Total	4,693,319,221.61	29,862,549.31	4,663,456,672.30

5.7.2 Movement of impairment allowance

	31/12/2021	Increase	Decrease	31/12/2022

		Provision	Business combination not under common control	Reversal and release	Other	
Raw materials and packaging	22,919,192.93	7,470,331.81	-	13,940,215.95	-	16,449,308.79
Merchandises	6,943,356.38	2,832,081.59	504,965.47	4,692,646.41	-	5,587,757.03
Total	29,862,549.31	10,302,413.40	504,965.47	18,632,862.36	-	22,037,065.82

5.8 Contract assets

	31/12/2022	31/12/2021
Project has been completed and the accounts have not been settled	1,855,188.15	-
Total	1,855,188.15	-

5.9 Other current assets

	31/12/2022	31/12/2021
Loans secured by treasury bonds	60,000,000.00	76,205,000.00
Interests on deposits	3,579,838.89	54,529,762.09
Deductible taxes	61,988,886.62	47,487,460.47
Total	125,568,725.51	178,222,222.56

5.10 Long-term equity investments

Investee	31/12/2021	Movement				
		Contribution	Investment withdrawal	Investment income at equity	OCI adjustment	Other equity movement
A. Associates	-					
Beijing Guge Trading Co., Ltd. (Guge Trading)	5,312,600.78			171,924.95		
Anhui Xunfeijiuzhi		3,900,000.00		769,710.25		

Investee	31/12/2021	Movement				
		Contribution	Investment withdrawal	Investment income at equity	OCI adjustment	Other equity movement
Technology Co., Ltd (Xunfeijiuzhi)						
Total	5,312,600.78	3,900,000.00		941,635.20	-	-

(Continued)

Investee	Movement			31/12/2022	Cumulative impairment allowance
	Dividend or profit appropriation declared	Impairment allowance recognised	Others		
A. Associates				-	
Guge Trading	-	-	-	5,484,525.73	-
Xunfeijiuzhi				4,669,710.25	
Total	-	-	-	10,154,235.98	-

5.11 Other equity instrument investment

	31/12/2022	31/12/2021
Anhui Mingguang Village Commercial Bank (Mingguang VCB)	56,447,789.94	54,542,418.50
Total	56,447,789.94	54,542,418.50

Supplementary disclosure

	Dividend income recognised in the period	Cumulative gain	Cumulative loss	Reclassification from OCI to retained earnings	Reason for designation as FVTOCI
Mingguang VCB	957,949.08	2,599,092.14			On the basis of purpose of investment

5.12 Investment properties

	Houses and buildings	Land use rights	Total
A. Costs			

	Houses and buildings	Land use rights	Total
1. 31/12/2021	8,680,555.75	2,644,592.00	11,325,147.75
2. Increase	11,793,433.36	-	11,793,433.36
(1)Reclassification from Fixed assets	11,793,433.36	-	11,793,433.36
3. Decrease	-	-	-
4. 31/12/2022	20,473,989.11	2,644,592.00	23,118,581.11
B. Cumulative depreciation			
1. 31/12/2021	6,437,593.71	811,752.98	7,249,346.69
2. Increase	2,416,325.90	56,026.56	2,472,352.46
(1) Recognition	691,836.45	56,026.56	747,863.01
(2)Reclassification from Fixed assets	1,724,489.45		1,724,489.45
3. Decrease	-	-	-
4. 31/12/2022	8,853,919.61	867,779.54	9,721,699.15
C. Impairment allowance			
1. 31/12/2021	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
4. 31/12/2022	-	-	-
D. Net value			
1. As of the statement date	11,620,069.50	1,776,812.46	13,396,881.96
2. As of 31/12/2021	2,242,962.04	1,832,839.02	4,075,801.06

5.13 Fixed assets

5.13.1 Disclosure by category

	31/12/2022	31/12/2021
Fixed assets	2,741,844,586.30	1,984,063,975.87
Fixed asset disposals	-	-
Total	2,741,844,586.30	1,984,063,975.87

5.13.2 Fixed assets

5.13.2.1 General disclosure

	Houses and buildings	Machinery	Transportation vehicles	Administrative and other devices	Total
A. Costs					
1. 31/12/2021	2,227,823,579.11	1,330,919,645.23	71,233,228.12	268,969,064.53	3,898,945,516.99
2. Increase	520,350,188.40	348,624,972.04	10,650,251.09	150,045,759.84	1,029,671,171.37
(1) Purchase	7,634,154.90	24,341,414.28	6,551,917.38	15,482,368.45	54,009,855.01
(2) Reclassification from construction in progress	378,715,708.14	313,693,118.04	-	125,814,278.36	818,223,104.54
(3) Business combination	134,000,325.36	10,590,439.72	4,098,333.71	8,749,113.03	157,438,211.82
3. Decrease	21,351,411.88	14,098,783.83	2,274,159.21	10,572,001.91	48,296,356.83
(1) Disposal or scrap	9,557,978.52	14,098,783.83	2,274,159.21	10,572,001.91	36,502,923.47
(2) Reclassification to Investment properties	11,793,433.36	-	-	-	11,793,433.36
4. 31/12/2022	2,726,822,355.63	1,665,445,833.44	79,609,320.00	408,442,822.46	4,880,320,331.53
B. Cumulative depreciation					
1. 31/12/2021	939,955,700.88	756,251,767.51	61,387,409.53	152,316,243.68	1,909,911,121.60
2. Increase	61,147,484.87	88,261,091.55	8,490,741.46	97,031,493.33	254,930,811.21
(1) Recognition	45,468,328.63	84,063,463.28	5,483,002.77	90,546,774.77	225,561,569.45
(2) Business combination	15,679,156.24	4,197,628.27	3,007,738.69	6,484,718.56	29,369,241.76
3. Decrease	7,383,653.04	12,073,362.71	1,919,982.59	10,074,017.95	31,451,016.29
(1) Disposal or scrap	5,659,163.59	12,073,362.71	1,919,982.59	10,074,017.95	29,726,526.84
(2) Reclassification to Investment properties	1,724,489.45	-	-	-	1,724,489.45
4. 31/12/2022	993,719,532.71	832,439,496.35	67,958,168.40	239,273,719.06	2,133,390,916.52
C. Impairment allowance					
1. 31/12/2021	3,116,594.39	1,271,091.35	-	582,733.78	4,970,419.52

	Houses and buildings	Machinery	Transportation vehicles	Administrative and other devices	Total
2. Increase	-	674,947.51	-	-	674,947.51
(1) Recognition	-	674,947.51	-	-	674,947.51
3. Decrease	520,384.49	38,818.94	-	1,334.89	560,538.32
(1) Disposal or scrap	520,384.49	38,818.94	-	1,334.89	560,538.32
4. 31/12/2022	2,596,209.90	1,907,219.92	-	581,398.89	5,084,828.71
D. Net value					
1. As of the statement date	1,730,506,613.02	831,099,117.17	11,651,151.60	168,587,704.51	2,741,844,586.30
2. As of 31/12/2021	1,284,751,283.84	573,396,786.37	9,845,818.59	116,070,087.07	1,984,063,975.87

5.13.2.2 Temporarily idle fixed assets

	Cost	Cumulative depreciation	Cumulative impairment allowance	Net value	Note
Houses and buildings	7,453,258.02	4,767,039.34	2,596,209.90	90,008.78	
Machinery	9,898,442.87	7,843,337.12	1,907,219.92	147,885.83	
Administrative and other devices	867,531.26	260,172.43	581,398.89	25,959.94	
Total	18,219,232.15	12,870,548.89	5,084,828.71	263,854.55	

5.13.2.3 Fixed assets with uncompleted ownership registration

	Net value	Remark
Houses and buildings	860,697,282.10	Registration in progress
Total	860,697,282.10	—

5.13.2.4 Fixed assets with restriction as of the statement date

	Cost	Cumulative depreciation	Cumulative impairment allowance	Net value	Note
Houses and buildings	129,817,900.00	15,138,636.48	-	114,679,263.52	

	Cost	Cumulative depreciation	Cumulative impairment allowance	Net value	Note
Total	129,817,900.00	15,138,636.48	-	114,679,263.52	

5.14 Construction in progress

5.14.1 Disclosure by category

	31/12/2022	31/12/2021
Construction in progress	2,454,703,251.44	1,064,134,904.21
Materials held for construction	-	-
Total	2,454,703,251.44	1,064,134,904.21

5.14.2 Construction in progress

5.14.2.1 General disclosure

	31/12/2022			31/12/2021		
	Gross	Impairment allowance	Net	Gross	Impairment allowance	Net
Smart Zone	2,043,434,953.17	-	2,043,434,953.17	700,794,613.29	-	700,794,613.29
Theme Hotel	252,169,603.40	-	252,169,603.40	61,431,126.99	-	61,431,126.99
GJ Plant #12 Wine Cellar	48,337,480.17	-	48,337,480.17	10,666,666.95	-	10,666,666.95
Glass bottle production line automation technical reform project	23,558,436.29	-	23,558,436.29	-	-	-
Suizhou Plant	57,312,769.08	-	57,312,769.08	266,102,852.17	-	266,102,852.17
Other projects	29,890,009.33	-	29,890,009.33	25,139,644.81	-	25,139,644.81
Total	2,454,703,251.44	-	2,454,703,251.44	1,064,134,904.21	-	1,064,134,904.21

5.14.2.2 Detailed disclosure

	Budget CNY million	31/12/2021	Increase
Smart Zone	8,289.66	700,794,613.29	1,777,481,852.91

	Budget CNY million	31/12/2021	Increase
Theme Hotel	499.00	61,431,126.99	190,738,476.41
GJ Plant #12 Wine Cellar	162.50	10,666,666.95	80,640,382.85
Glass bottle production line automation technical reform project	59.40	-	23,558,436.29
Suizhou Plant	600.00	266,102,852.17	128,196,537.42
Other projects	159.11	25,139,644.81	33,097,425.53
Total	9,769.67	1,064,134,904.21	2,233,713,111.41

(Continued)

	Reclassification to fixed assets	Other decrease	31/12/2022
Smart Zone	434,841,513.03	-	2,043,434,953.17
Theme Hotel	-	-	252,169,603.40
GJ Plant #12 Wine Cellar	42,969,569.63	-	48,337,480.17
Glass bottle production line automation technical reform project	-	-	23,558,436.29
Suizhou Plant	316,931,541.11	20,055,079.40	57,312,769.08
Other projects	23,480,480.77	4,866,580.24	29,890,009.33
Total	818,223,104.54	24,921,659.64	2,454,703,251.44

(Continued)

	% of budget	% of completion	Cumulative capitalisation of borrowing costs	T/o: Borrowing costs capitalised in the period
Smart Zone	29.92	33.73	-	-
Theme Hotel	50.53	51.44	-	-
GJ Plant #12 Wine Cellar	56.19	56.19	-	-
Glass bottle production line automation technical reform project	39.66	95.00	-	-

	% of budget	% of completion	Cumulative capitalisation of borrowing costs	T/o: Borrowing costs capitalised in the period
Suizhou Plant	65.74	85.00	4,652,390.38	2,124,407.65
Other projects	36.60	36.60	-	-
Total			4,652,390.38	2,124,407.65

(Continued)

	Current period capitalisation rate	Source of funding
Smart Zone	-	Self-funded, public financing
Theme Hotel	-	Self-funded
GJ Plant #12 Wine Cellar	-	Self-funded
Glass bottle production line automation technical reform project	-	Self-funded
Suizhou Plant	3.8	Self-funded, loans
Other projects	-	Self-funded
Total	-	

Increase of construction in progress for 130.68% year over year was mainly resulted from investment in Smart Zone and Theme Hotel in the period.

5.15 Right-of-use assets

	Houses and buildings	Machinery	Total
A. Costs			-
1. 31/12/2021	57,050,481.74	1,330,929.57	58,381,411.31
2. Increase	3,203,024.87	-	3,203,024.87
3. Decrease	1,843,425.94	-	1,843,425.94
4. 31/12/2022	58,410,080.67	1,330,929.57	59,741,010.24
B. Cumulative depreciation			
1. 31/12/2021	14,010,539.12	443,643.22	14,454,182.34

	Houses and buildings	Machinery	Total
2. Increase	14,124,439.52	443,643.22	14,568,082.74
3. Decrease	1,843,425.94	-	1,843,425.94
4. 31/12/2022	26,291,552.70	887,286.44	27,178,839.14
C. Impairment allowance			
1. 31/12/2021	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
4. 31/12/2022	-	-	-
D. Net value			
1. As of the statement date	32,118,527.97	443,643.13	32,562,171.10
2. As of 01/01/2022	43,039,942.62	887,286.35	43,927,228.97

5.16 Intangible assets

5.16.1 General disclosure

	Land use rights	Software	Patents and trademarks	Total
A. Costs				
1. 31/12/2021	1,001,763,740.75	129,251,165.21	253,045,146.19	1,384,060,052.15
2. Increase	86,716,980.02	1,320,890.29	1,950,130.93	89,988,001.24
(1) Purchase	74,716,419.02	772,851.32	-	75,489,270.34
(2) Reclassification from construction in progress	-	343,362.80	-	343,362.80
(3) Business combination	12,000,561.00	204,676.17	1,950,130.93	14,155,368.10
3. Decrease	-	8,308,231.78	-	8,308,231.78
(1) Disposal	-	8,308,231.78	-	8,308,231.78
4. 31/12/2022	1,088,480,720.77	122,263,823.72	254,995,277.12	1,465,739,821.61
B. Cumulative amortisation				
1. 31/12/2021	181,669,781.87	69,365,956.76	69,555,470.91	320,591,209.54

	Land use rights	Software	Patents and trademarks	Total
2. Increase	23,081,637.49	19,350,453.03	2,319,201.89	44,751,292.41
(1) Recognition	22,099,398.58	19,259,687.73	1,344,130.55	42,703,216.86
(2) Business combination	982,238.91	90,765.30	975,071.34	2,048,075.55
3. Decrease	-	7,894,709.78	-	7,894,709.78
(1) Disposal	-	7,894,709.78	-	7,894,709.78
4. 31/12/2022	204,751,419.36	80,821,700.01	71,874,672.80	357,447,792.17
C. Impairment allowance			-	-
1. 31/12/2021	-	-	-	-
2. Increase	-	166,872.39	-	166,872.39
(1) Recognition	-	166,872.39	-	166,872.39
3. Decrease	-	-	-	-
(1) Disposal	-	-	-	-
4. 31/12/2022	-	166,872.39	-	166,872.39
D. Net value	-	-	-	-
1. As of the statement date	883,729,301.41	41,275,251.32	183,120,604.32	1,108,125,157.05
2. As of 31/12/2021	820,093,958.88	59,885,208.45	183,489,675.28	1,063,468,842.61

5.16.2 Intangible assets pledged as of the statement date

	Cost	Cumulative amortisation	Impairment allowance	Net value	Note
Land use rights	11,124,000.00	1,004,669.68	-	10,119,330.32	
Trademark rights	176,630,692.63	7,514,092.63	-	169,116,600.00	
Total	187,754,692.63	8,518,762.31	-	179,235,930.32	

5.16.3 No intangible assets as of the statement date was with pending ownership registration.

5.17 Goodwill

5.17.1 General disclosure

Investee	31/12/2021	Increase		Decrease		31/12/2022
		Business combination	Other	Disposal	Other	
HHL Distillery	478,283,495.29					478,283,495.29
Mingguang Distillery	60,686,182.07					60,686,182.07
Treasure Distillery	22,394,707.65					22,394,707.65
Total	561,364,385.01					561,364,385.01

5.17.2 Asset groups associated with goodwill

Investee	Composition of asset group	Asset group CNY million				Determination	Change in the period
		Book value	Allocated goodwill	Unrecognised goodwill attributable to non-controlling interest	Total		
HHL Distillery	Operating assets of HHL Distillery	1,115.42	478.28	459.53	2,053.23	Active markets are available for the products of the asset group to which goodwill is allocated and hence the asset group is capable of generating identifiable separate cash flows.	No
Mingguang Distillery	Operating assets of Mingguang Distillery	207.41	60.69	40.46	308.55	Active markets are available for the products of the asset group to which goodwill is allocated and hence the asset group is capable of generating identifiable separate cash flows.	No
Treasure	Operating assets of	84.81	22.39	14.93	122.13	Active markets are available for the products of the asset group to	No

Investee	Composition of asset group	Asset group CNY million				Determination	Change in the period
		Book value	Allocated goodwill	Unrecognised goodwill attributable to non-controlling interest	Total		
Distillery	Treasure Distillery					which goodwill is allocated and hence the asset group is capable of generating identifiable separate cash flows.	

Note: The book value of HHL Distillery, Treasure Distillery, Mingguang Distillery asset group did not include surplus assets and non-operating liabilities of HHL Distillery.

5.17.3 Impairment assessment

The recoverable amounts of the asset groups were determined by the present value of their respective future cash flows. Detailed forecasted cash flows for the next 5 years and further forecasted cash flows for periods starting from the 6th year from the statement date applicable to each asset group was approved by the management of the Company. The discount rates adopted reflect the current time value of money and the specific risks of the asset groups. Key assumptions such revenue, cost of sales, growth rate and expenses were used in the forecast. These key assumptions had been developed by taking into consideration factors such as historical profitability, growth trend, sector conditions and management expectation for future market development.

Following the impairment test and with reference to the Appraisal Reports (HuayaZhengxinPingBaoZi [2023] No. A07-0006 and HuayaZhengxinPingBaoZi [2023] No. A07-0005) issued by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd., the recoverable amounts of the asset groups were not lower than their respective value inclusive of goodwill as of the statement date. No impairment was identified upon the impairment test.

5.17.4 Impact of impairment assessment

See Note 11.1 for further details.

5.18 Long-term deferred expenses

	31/12/2021	Capitalisation	Amortisation	Other decrease	31/12/2022
Experience Centre	30,453,147.53	1,226,458.31	13,624,219.52	-	18,055,386.32
Waste Water Plant	1,922,131.15	-	922,622.95	-	999,508.20
HHL Winery and Museum	4,470,296.69	-	3,700,243.10	-	770,053.59
GJCCP Culture Centre	2,363,636.37	-	1,181,818.19	-	1,181,818.18
Yantai Distilled Wine Culture Project	448,182.86	-	448,182.86	-	-
Outdoor Plant	-	17,459,514.76	872,975.76	-	16,586,539.00
Miscellaneous	16,250,943.43	7,172,373.69	10,003,645.10	-	13,419,672.02
Total	55,908,338.03	25,858,346.76	30,753,707.48	-	51,012,977.31

5.19 Deferred tax assets (DTAs) and deferred tax liabilities (DTLs)**5.19.1 DTAs before offset**

	31/12/2022		31/12/2021	
	Deductible temporary difference	DTA	Deductible temporary difference	DTA
Asset impairment allowance	27,288,766.92	6,642,674.57	34,832,968.83	8,597,940.21
Credit impairment allowance	55,952,351.78	13,967,271.03	56,327,170.37	14,078,521.69
Unrealised profit	100,142,928.48	25,035,732.12	89,880,690.08	22,470,172.52
Deferred income	103,714,978.95	25,483,351.68	91,101,512.05	22,355,416.63
Recoverable loss	337,681,202.44	77,041,463.86	3,275,424.29	235,799.84
Accrued employee benefits	6,380,952.10	957,142.82	14,728,894.07	3,682,223.52
Accrued expenses and rebates	1,104,571,137.01	275,740,361.64	845,357,525.22	211,333,743.87
Fair value change or	1,024,977.31	252,229.65	4,296,727.84	1,074,181.96

	31/12/2022		31/12/2021	
	Deductible temporary difference	DTA	Deductible temporary difference	DTA
receivables held for factoring				
Total	1,736,757,294.99	425,120,227.37	1,139,800,912.75	283,828,000.24

5.19.2 DTLs before offset

	31/12/2022		31/12/2021	
	Taxable temporary difference	DTL	Taxable temporary difference	DTL
Fixed asset depreciation	157,708,682.09	39,427,170.52	74,959,073.18	18,739,768.30
Purchase price allocation	697,149,707.15	168,589,543.40	689,376,361.16	172,344,090.29
Fair value change of financial asset held for trading	32,687,769.66	8,171,942.42	11,103,876.68	2,775,969.16
Unrealised profit	257,338,901.32	64,334,725.33	-	-
Fair value change of Other equity instrument investments	2,599,092.14	649,773.03	693,720.70	173,430.18
Total	1,147,484,152.36	281,173,154.70	776,133,031.72	194,033,257.93

5.20 Other non-current assets

	31/12/2022	31/12/2021
Prepayment for machinery	6,870,532.00	7,220,318.40
Total	6,870,532.00	7,220,318.40

5.21 Short-term borrowings

	31/12/2022	31/12/2021
Loans with securities by physical assets	34,267,952.97	10,008,555.55
Loans with securities by intangible assets	48,964,223.34	20,026,583.34
Total	83,232,176.31	30,035,138.89

5.22 Notes payable

5.22.1 Disclosure by type

Type	31/12/2022	31/12/2021
Bank acceptance	695,740,000.00	127,114,336.16
Commercial acceptance	-	-
Total	695,740,000.00	127,114,336.16

5.22.2 No overdue note payable as of the statement date.

5.23 Accounts payable

5.23.1 Disclosure by nature

	31/12/2022	31/12/2021
Payable for goods	1,123,707,643.38	605,774,178.94
Payable for construction and machinery	539,292,035.62	253,893,258.27
Others	391,063,880.15	160,769,884.68
Total	2,054,063,559.15	1,020,437,321.89

5.23.2 Top-five vendors as of the statement date by account payable balance

	31/12/2022	Reason for remaining unsettled
Top 1	1,483,462.21	Tail payment for construction
Top 2	923,262.66	Payable for goods
Top 3	696,587.78	Tail payment for construction
Top 4	490,485.32	Tail payment for construction
Top 5	393,392.70	Tail payment for construction
Total	3,987,190.67	

5.24 Contract liabilities

	31/12/2022	31/12/2021
Advanced receipts for goods	826,636,478.35	1,825,447,705.85
Total	826,636,478.35	1,825,447,705.85

5.25 Employee benefits payable

5.25.1 General disclosure

	31/12/2021	Accrual	Decrease	31/12/2022
A. Short-term benefits	709,463,139.46	3,123,294,844.82	3,039,166,444.73	793,591,539.55
B. Post-employment benefits –Defined contribution plans	208,648.28	156,313,983.15	154,975,865.35	1,546,766.08
C. Termination benefits	-	715,584.90	715,584.90	-
D. Other long-term benefits due within 1 year	-	-	-	-
Total	709,671,787.74	3,280,324,412.87	3,194,857,894.98	795,138,305.63

5.25.2 Short-term benefits

	31/12/2021	Accrual	Decrease	31/12/2022
A. Salaries, wages allowances and subsidies	630,779,825.28	2,739,300,272.79	2,658,708,352.38	711,371,745.69
B. Welfare	-	97,032,343.74	97,032,343.74	-
C. Social securities	445,462.22	69,648,018.60	69,673,296.39	420,184.43
T/o: Medical insurance	445,427.72	65,441,829.58	65,467,976.27	419,281.03
Work-place injury insurance	34.50	4,206,189.02	4,205,320.12	903.40
D. Housing funds	5,653,470.40	101,299,672.06	100,179,172.05	6,773,970.41
E. Union fund and education fund	69,520,657.48	32,664,012.65	30,370,415.99	71,814,254.14
F. Annuity	3,063,724.08	83,350,524.98	83,202,864.18	3,211,384.88
Total	709,463,139.46	3,123,294,844.82	3,039,166,444.73	793,591,539.55

5.25.3 Post-employment benefits – Defined contribution plans

	31/12/2021	Accrual	Decrease	31/12/2022
A. Basic pension	208,648.28	151,413,486.57	150,076,781.97	1,545,352.88
B. Job-loss insurance	-	4,900,496.58	4,899,083.38	1,413.20
Total	208,648.28	156,313,983.15	154,975,865.35	1,546,766.08

5.26 Taxes and fees payable

	31/12/2022	31/12/2021
VAT	256,705,264.84	154,597,583.14
Consumption duty	502,091,276.19	406,331,487.38
CIT	335,723,169.21	255,882,481.65
Individual income tax	12,550,946.18	2,674,057.91
Urban maintenance and construction tax	40,572,819.42	20,431,543.35
Stamp duty	4,553,890.84	2,882,861.65
Education surcharge	37,594,377.10	18,506,770.12
Others	15,236,386.24	11,964,201.51
Total	1,205,028,130.02	873,270,986.71

5.27 Other payables

5.27.1 General disclosure

	31/12/2022	31/12/2021
Interests payable		
Dividends payable		
Other payables	3,261,763,838.80	2,280,937,078.12
Total	3,261,763,838.80	2,280,937,078.12

5.27.2 Other payables

	31/12/2022	31/12/2021
Margin deposits	2,752,404,989.26	1,845,795,843.02
Quality warranty	58,897,431.31	48,556,830.53
Withheld housing fund payable	5,465,938.41	4,722,066.45
Others	444,995,479.82	381,862,338.12
Total	3,261,763,838.80	2,280,937,078.12

Other payables aged over 1 year as of the statement date mainly comprised pre-mature margin deposits and quality warranty.

5.28 Non-current liabilities due within 1 year

	31/12/2022	31/12/2021
Lease liabilities due within 1 year	12,204,345.11	13,190,399.32
Long-term borrowings	30,033,000.00	-
Total	42,237,345.11	13,190,399.32

5.29 Other current liabilities

	31/12/2022	31/12/2021
Accruals	942,387,734.28	562,547,100.62
Pre-mature output VAT	102,276,707.30	236,975,461.98
Total	1,044,664,441.58	799,522,562.60

5.30 Long-term borrowings

	31/12/2022	31/12/2021
Credit loans	20,000,000.00	60,000,000.00
Guaranteed loans	24,900,000.00	112,180,000.00
Interests	44,737.91	176,255.83
Total	44,944,737.91	172,356,255.83

5.31 Lease liabilities

	31/12/2022	31/12/2021
Gross lease payments	33,494,997.76	45,436,263.46
Less: Unrecognised financing costs	2,659,256.72	4,138,640.96
Net	30,835,741.04	41,297,622.50
T/o: Due within 1 year	12,204,345.11	13,190,399.32
Due after 1 year	18,631,395.93	28,107,223.18

5.32 Deferred income

5.32.1 General disclosure

	31/12/2021	Increase	Decrease	31/12/2022	Reason for recognition
Government grants	91,101,512.05	18,530,000.00	5,916,533.10	103,714,978.95	Receipt of asset-related

	31/12/2021	Increase	Decrease	31/12/2022	Reason for recognition
					government grants
Total	91,101,512.05	18,530,000.00	5,916,533.10	103,714,978.95	

5.32.2 Government grants

	31/12/2021	Receipt	Reclassified to other income	Other movement	31/12/2022	Nature
Subsidy on Construction of Suizhou Plant	35,338,000.00		747,894.12	-	34,590,105.88	Asset-related
Refund of Land Fee	42,700,310.29		978,918.24	-	41,721,392.05	Asset-related
Fund for Clustered Development Base for Strategic Innovative Sectors	1,752,640.06		622,719.96	-	1,129,920.10	Asset-related
Subsidy Fund for Air Pollution Prevention	2,085,104.67		294,364.80	-	1,790,739.87	Asset-related
Subsidy on Devices	1,279,705.79		320,267.88	-	959,437.91	Asset-related
Subsidy of 2019 Leading Manufacturing Province and Non-state-owned Economy Development	1,250,183.41		308,654.28	-	941,529.13	Asset-related
Anhui Innovation Subsidy for Development of Owned Innovation Capacity	487,030.00		487,030.00	-	0.00	Asset-related
Subsidy on Renovation of #2 Furnace	759,259.24		222,222.24	-	537,037.00	Asset-related
Subsidy on Equipments	668,907.24		208,209.12	-	460,698.12	Asset-related
Renovation of GJ Zhangji Cellar	740,208.51		47,499.96	-	692,708.55	Asset-related
Subsidy for Improvement of Food Safety	413,793.25		137,931.00	-	275,862.25	Asset-related

	31/12/2021	Receipt	Reclassified to other income	Other movement	31/12/2022	Nature
Anhui Leading Capital for Service Sector	209,756.36		209,756.36	-	0.00	Asset-related
Subsidy for Electricity Demand-side Adminsitration	228,000.00		144,000.00	-	84,000.00	Asset-related
Full-time Online Supervision on Automated Blending Storage and Product Quality	78,125.32		78,125.32	-	0.00	Asset-related
Technological Renovation for Distilling System	2,180,720.63		291,572.16	-	1,889,148.47	Asset-related
Smart Fermentation Innovation	57,291.45		31,250.04	-	26,041.41	Asset-related
Designated Fund for Furnace Renovation	197,500.00		30,000.00	-	167,500.00	Asset-related
Bonus for Technological Improvement Investment	552,622.31		69,643.70	-	482,978.61	Asset-related
Subsidy to the Technical and Quality Department	122,353.52		20,548.54	-	101,804.98	Asset-related
distilled wine Industrial Internet platform		7,000,000.00		-	7,000,000.00	Asset-related
Distillation shop VOCs Emission control		6,180,000.00	51,932.77	-	6,128,067.23	Asset-related
Provincial special fund for high quality development of manufacturing industry		2,850,000.00	142,500.00	-	2,707,500.00	Asset-related
distilled wine production intelligent, automatic upgrading		1,000,000.00	99,999.96	-	900,000.04	Asset-related

	31/12/2021	Receipt	Reclassified to other income	Other movement	31/12/2022	Nature
VOCs Deep Governance		1,050,000.00	333,608.55	-	716,391.45	Asset-related
Robot project		450,000.00	37,884.10	-	412,115.90	Asset-related
Total	91,101,512.05	18,530,000.00	5,916,533.10	-	103,714,978.95	

5.33 Share capital

	31/12/2021 Qty	Movement					31/12/2022
		Issue Qty.	Bonus issue Qty.	Reserve conversion Qty	Others Qty.	Total Qty.	
Shares	528,600,000.00		-	-	-	-	528,600,000.00

5.34 Capital reserves

	31/12/2021	Increase	Decrease	31/12/2022
Share premium	6,191,894,530.90			6,191,894,530.90
Other capital reserves	32,853,136.20			32,853,136.20
Total	6,224,747,667.10			6,224,747,667.10

5.35 Other comprehensive income (OCI)

	31/12/2021	Movement		
		Before tax	Less: Amount recognised in the income statement	Less: Income tax
A. Not reclassifiable to profit or loss	312,174.31	1,905,371.44	-	476,342.86
Change in the fair value of Other equity instrument investments	312,174.31	1,905,371.44	-	476,342.86
B. Reclassifiable to profit or loss	-3,047,232.50	-1,030,330.20	-4,296,727.84	816,599.41
Gain from reclassification of financial assets	-3,047,232.50	-1,030,330.20	-4,296,727.84	816,599.41
Total	-2,735,058.19	875,041.24	-4,296,727.84	1,292,942.27

(Continued)

	Movement		31/12/2022
	After tax attributable to shareholders of the Company	After tax attributable to non-controlling interests	
A. Not reclassifiable to profit or loss	857,417.15	571,611.43	1,169,591.46
Change in the fair value of Other equity instrument investments	857,417.15	571,611.43	1,169,591.46
B. Reclassifiable to profit or loss	2,286,380.65	163,417.58	-760,851.85
Gain from reclassification of financial assets	2,286,380.65	163,417.58	-760,851.85
Total	3,143,797.80	735,029.01	408,739.61

5.36 Surplus reserves

	31/12/2021	Increase	Decrease	31/12/2022
Statutory reserve	269,402,260.27			269,402,260.27
Total	269,402,260.27			269,402,260.27

10% of the current year's net profit was transferred to surplus reserves in accordance with the Company Law and the Company's Article of Association.

5.37 Retained earnings

	Y/e 31/12/2022	Y/e 31/12/2021
As of 31/12/2021	9,517,374,574.46	7,987,380,161.21
Total adjustment of retained earnings brought forward		-
As of 1/1/2021	9,517,374,574.46	7,987,380,161.21
Add: Net profit attributable to shareholders of the Company	3,143,144,732.08	2,297,894,413.25
Less: Transfer to statutory reserve		12,500,000.00
Dividends on ordinary shares payable	1,162,920,000.00	755,400,000.00
As of 31/12/2022	11,497,599,306.54	9,517,374,574.46

5.38 Revenue and cost of sales

	Y/e 31/12/2022	Y/e 31/12/2021
--	----------------	----------------

	Revenue	Cost of sales	Revenue	Cost of sales
Primary operation	16,624,493,486.59	3,786,375,257.60	13,180,706,416.64	3,271,880,424.79
Other operation	88,740,666.93	29,946,787.41	89,119,849.40	32,196,587.13
Total	16,713,234,153.52	3,816,322,045.01	13,269,826,266.04	3,304,077,011.92

5.39 Taxes and surcharges

	Y/e 31/12/2022	Y/e 31/12/2021
Consumption duty	2,355,515,748.99	1,669,063,914.39
Urban construction and maintenance tax and education surcharges	391,108,828.32	300,643,974.00
Urban land use tax	21,958,265.05	15,985,317.49
Property tax	20,010,214.84	18,286,057.72
Stamp duty	18,045,620.24	11,749,843.93
Others	17,420,644.59	16,086,098.14
Total	2,824,059,322.03	2,031,815,205.67

5.40 Selling expenses

	Y/e 31/12/2022	Y/e 31/12/2021
Personnel costs	938,740,215.88	863,583,183.40
Travel	169,521,676.66	161,091,812.25
Advertisement	995,196,089.71	900,546,437.33
Comprehensive promotion	1,814,692,295.39	1,268,396,513.56
Services	638,147,336.90	705,368,563.00
Others	111,887,440.59	109,088,973.54
Total	4,668,185,055.13	4,008,075,483.08

5.41 Administrative expenses

	Y/e 31/12/2022	Y/e 31/12/2021
Personnel costs	790,082,663.30	647,493,344.01
Office costs	61,689,592.52	61,116,360.31
Repairs	55,445,533.41	59,205,451.47
Depreciation	69,203,388.39	76,054,616.50

	Y/e 31/12/2022	Y/e 31/12/2021
Amortisation	34,133,133.16	34,799,459.54
Sewage	23,964,858.50	27,191,838.92
Travel	9,914,637.44	11,420,677.10
Utilities	11,311,612.00	11,157,257.56
Others	111,034,970.51	93,742,414.33
Total	1,166,780,389.23	1,022,181,419.74

5.42 R&D expenses

	Y/e 31/12/2022	Y/e 31/12/2021
Personnel costs	36,510,926.32	32,495,950.89
Direct costs	9,047,992.47	9,389,089.92
Depreciation	2,747,013.50	3,230,977.28
Overheads	8,361,270.72	6,333,457.27
Total	56,667,203.01	51,449,475.36

5.43 Financial costs

	Y/e 31/12/2022	Y/e 31/12/2021
Interest expenses	5,679,645.21	7,036,575.14
Less: Interest income	221,450,532.78	210,634,326.57
Net interest expenses	-215,770,887.57	-203,597,751.43
Net exchange loss	-417,719.35	-168,340.77
Bank charges and others	-110,446.15	-289,564.86
Total	-216,299,053.07	-204,055,657.06

5.44 Other income

	Y/e 31/12/2022	Y/e 31/12/2021	Nature
Government grants			
T/o: Transfer from deferred income	5,916,533.10	7,204,388.92	Asset-related
Government grants directly recognised in P&L	40,804,726.42	48,065,239.56	Revenue-related
Total	46,721,259.52	55,269,628.48	

5.45 Investment income

	Y/e 31/12/2022	Y/e 31/12/2021
Investment income from long-term equity investments at equity	941,635.20	397,024.95
Gain from disposal of FVTPLs	13,667,018.06	11,855,405.29
Gain from holding of debt instruments	-	-
Gain from holding of Other equity instrument investments	957,949.08	809,860.62
Gain from disposal of FVTOCIs	-26,471,694.99	-23,271,118.08
Gain from holding of financial assets held for trading	-	14,393,316.21
Others	100,708.20	507,890.16
Total	-10,804,384.45	4,692,379.15

5.46 Gain from fair value changes

	Y/e 31/12/2022	Y/e 31/12/2021
Financial assets held for trading	29,149,125.30	7,225,961.17
T/o: Derivative financial assets	-	-
Total	29,149,125.30	7,225,961.17

5.47 Credit impairment loss

	Y/e 31/12/2022	Y/e 31/12/2021
Notes receivable	-	-
Accounts receivable	1,094,557.71	-7,698,458.43
Other receivables	-691,336.22	1,205,616.99
Total	403,221.49	-6,492,841.44

5.48 Asset impairment loss

	Y/e 31/12/2022	Y/e 31/12/2021
Inventories	-10,302,413.40	-16,126,347.91
Fixed assets	-674,947.51	-611,808.94
Intangible assets	-166,872.39	
Total	-11,144,233.30	-16,738,156.85

5.49 Gain from asset disposals

	Y/e 31/12/2022	Y/e 31/12/2021
Gain or loss from disposal of fixed assets, construction in progress and intangible assets not classified as held for sale	886,286.45	1,368,763.13
T/o: Fixed assets	886,286.45	1,368,763.13
Total	886,286.45	1,368,763.13

5.50 Non-operating income**5.50.1 General disclosure**

	Y/e 31/12/2022	Y/e 31/12/2021	Current period non-recurring
Damage and scrapping of non-current assets	370,956.18	12,541.54	370,956.18
Government grants not related to ordinary operating activities	0.00	4,873.94	0.00
Fine and compensation	39,854,588.12	43,776,517.37	39,854,588.12
Wastes	4,163,898.52	4,549,768.93	4,163,898.52
Release of payables	4,207,463.06	30,649,702.32	4,207,463.06
Others	2,171,039.50	1,364,754.10	2,171,039.50
Total	50,767,945.38	80,358,158.20	50,767,945.38

5.50.2 Government grants not related to ordinary operating activities

	Y/e 31/12/2022	Y/e 31/12/2021	Nature
Other bonuses	-	4,873.94	Revenue related
Total	-	4,873.94	-

5.51 Non-operating expenses

	Y/e 31/12/2022	Y/e 31/12/2021	Current period non-recurring
Damage and scrapping of non-current assets	5,923,667.72	7,358,161.65	5,923,667.72

	Y/e 31/12/2022	Y/e 31/12/2021	Current period non-recurring
Donations	22,359,038.92		22,359,038.92
Others	4,723,657.20	3,315,122.96	4,723,657.20
Total	33,006,363.84	10,673,284.61	33,006,363.84

5.52 Income tax expenses

5.52.1 General disclosure

	Y/e 31/12/2022	Y/e 31/12/2021
Current income tax	1,273,456,377.00	903,705,314.91
Deferred income tax	-54,798,492.76	-106,743,019.82
Total	1,218,657,884.24	796,962,295.09

5.52.2 Reconciliation of profit before tax and income tax expenses

	Y/e 31/12/2022
Profit before tax	4,470,492,048.73
Income tax calculated by the applicable tax rate	1,117,623,012.18
Impact of different tax rates applicable to subsidiaries	-11,428,857.41
Adjustment for prior period	40,187,610.28
Non-taxable income	-474,896.07
Non-deductible costs, expenses and loss	85,719,626.34
Utilisation of prior period recoverable tax loss with no DTA recognised	
Impact of current period recoverable tax loss and temporary differences with no DTA recognised	
Progressive deduction for R&D expenses	-12,968,611.08
Impact of tax rate changes	
Exemption	
Income tax expenses	1,218,657,884.24

5.53 Notes to the consolidated cash flow statements

5.53.1 Other cash receipts in relation to operating activities

	Y/e 31/12/2022	Y/e 31/12/2021
Margin deposits and quality warranty	916,949,747.02	573,099,096.03
Government grants received	48,435,078.81	59,512,598.91
Bank interests received	80,375,152.64	175,668,500.91
Release of restricted cash	133,372,593.16	334,308,875.92
Others	56,190,183.46	11,742,422.18
Total	1,235,322,755.09	1,154,331,493.95

5.53.2 Other cash payments for operating activities

	Y/e 31/12/2022	Y/e 31/12/2021
Paid expenses	3,117,448,326.00	2,252,989,080.36
Margin deposits and quality warranty	5,855,826.64	7,522,439.34
Cash restricted for bank acceptance and guarantee letters	667,187,706.08	133,372,593.16
Others	130,000,657.32	63,271,489.74
Total	3,920,492,516.04	2,457,155,602.60

5.53.3 Other cash receipts in relation to financing activities

	Y/e 31/12/2022	Y/e 31/12/2021
Financing costs paid	-	4,587,264.16
Rentals paid	16,242,902.55	15,430,214.16
Total	16,242,902.55	20,017,478.32

5.54 Supplementary information to the consolidated cash flow statement

5.54.1 Supplementary information to the consolidated cash flow statement

	Y/e 31/12/2022	Y/e 31/12/2021
A. Reconciliation between net profit and net cash flows from operating activities		
Net profit	3,251,834,164.49	2,374,331,639.47
Add: Asset impairment loss	11,144,233.30	16,738,156.85
Credit impairment loss	-403,221.49	6,492,841.44

	Y/e 31/12/2022	Y/e 31/12/2021
Fixed asset depreciation and investment property depreciation	226,309,432.46	224,815,642.73
Right-of-use asset depreciation	14,568,082.74	14,454,182.34
Intangible asset amortisation	42,703,216.86	42,153,384.37
Long-term deferred expense amortisation	30,753,707.48	33,723,640.28
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain with “-”)	-886,286.45	-1,368,763.13
Loss from scrapping of fixed assets (gain with “-”)	5,552,711.54	7,345,620.11
Loss from fair value changes (gain with “-”)	-29,149,125.30	-7,225,961.17
Financial costs (income with “-”)	-135,923,900.43	-47,493,186.95
Investment loss (gain with “-”)	10,804,384.45	-4,692,379.15
DTA decrease (increase with “-”)	-141,292,227.13	-186,855,578.29
DTL increase (decrease with “-”)	87,139,896.77	79,211,806.69
Inventory decrease (increase with “-”)	-1,386,823,935.09	-1,252,595,844.79
Operating receivable decrease (increase with “-”)	-2,104,507,814.27	868,490,814.49
Operating payable increase (decrease with “-”)	3,092,718,666.39	2,752,473,236.58
Others (Note)	133,372,593.16	334,308,875.92
Net cash flows from operating activities	3,107,914,579.48	5,254,308,127.79
B. Significant investing and financing activities not involving cash		
Debt-to-equity conversion		
Corporate bonds convertible within 1 year		
Fixed asset acquired through financial leasing		
C. Movement of cash and cash equivalents		
Cash as of 31/12/2022	13,105,373,435.22	6,057,550,178.60
Less: Cash as of 31/12/2021	6,057,550,178.60	5,636,903,693.74
Add: Cash equivalents as of 31/12/2022		
Less: Cash equivalents as of 31/12/2021		
Net increase of cash and cash equivalents	7,047,823,256.62	420,646,484.86

Note: Others represented impact of withdraw restricted cash on the net cash flows from operating activities for the period.

5.54.2 Composition of cash and cash equivalents

	31/12/2022	31/12/2021
A. Cash	13,105,373,435.22	6,057,550,178.60
T/o: Cash in hand	111,642.11	135,129.66
Cash at bank usable on demand	13,098,187,278.75	6,057,283,646.58
Other monetary funds usable on demand	7,074,514.36	131,402.36
B. Cash equivalents		-
T/o: Investment in debt instruments mature in 3 months		-
C. Cash and cash equivalents as of 31 December	13,105,373,435.22	6,057,550,178.60
T/o: Cash and cash equivalents held by group companies with restriction on use		

5.55 Assets with restriction on ownership or disposal

	Book value as of 31/12/2022	Restriction
Notes receivable	667,187,706.08	Fixed term deposits and margin deposits for bank acceptance
Fixed assets	114,679,263.52	Securities for loans
Intangible assets	179,235,930.32	Securities for loans
Total	961,102,899.92	—

5.56 Government grants

5.56.1 Asset related government grants

	Grant amount	Balance sheet item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
Subsidy on Construction of Suizhou Plant	34,590,105.88	Deferred income	747,894.12		Other income
Refund of Land Fee	41,721,392.05	Deferred	978,918.24	1,539,876.31	Other income

	Grant amount	Balance sheet item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
		income			
Fund for Clustered Development Base for Strategic Innovative Sectors	1,129,920.10	Deferred income	622,719.96	622,719.96	Other income
Subsidy Fund for Air Pollution Prevention	1,790,739.87	Deferred income	294,364.80	294,364.80	Other income
Subsidy on Devices	959,437.91	Deferred income	320,267.88	401,472.41	Other income
Subsidy of 2019 Leading Manufacturing Province and Non-state-owned Economy Development	941,529.13	Deferred income	308,654.28	308,654.28	Other income
Anhui Innovation Subsidy for Development of Owned Innovation Capacity	-	Deferred income	487,030.00	730,545.00	Other income
R&D Fund for Smart Distilling Yeast Fabrication	-	Deferred income	-	1,130,000.00	Other income
Subsidy on Renovation of #2 Furnace	537,037.00	Deferred income	222,222.24	222,222.24	Other income
Subsidy on Equipments	460,698.12	Deferred income	208,209.12	127,004.59	Other income
Renovation of GJ Zhangji Cellar	692,708.55	Deferred income	47,499.96	47,499.96	Other income
Subsidy for Corporation on Key Technology of Key Food Isotope Authenticity	-	Deferred income	-	600,000.00	Other income
Subsidy for Improvement of Food Safety	275,862.25	Deferred income	137,931.00	137,931.00	Other income

	Grant amount	Balance sheet item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
Anhui Leading Capital for Service Sector	-	Deferred income	209,756.36	292,682.88	Other income
Subsidy for Electricity Demand-side Administration	84,000.00	Deferred income	144,000.00	144,000.00	Other income
Full-time Online Supervision on Automated Blending Storage and Product Quality	-	Deferred income	78,125.32	93,749.68	Other income
Energy Saving Renovation for Electric Motors and Furnaces	-	Deferred income	-	137,500.28	Other income
Technological Renovation for Distilling System	1,889,148.47	Deferred income	291,572.16	229,487.88	Other income
Smart Fermentation Innovation	26,041.41	Deferred income	31,250.04	31,250.04	Other income
Designated Fund for Furnace Renovation	167,500.00	Deferred income	30,000.00	35,000.00	Other income
Bonus for Technological Improvement Investment	482,978.61	Deferred income	69,643.70	78,427.61	Other income
Subsidy to the Technical and Quality Department	101,804.98	Deferred income	20,548.54	-	Other income
distilled wine Industrial Internet platform	7,000,000.00	Deferred income	-	-	Other income
Distillation shop VOCs Emission control	6,128,067.23	Deferred income	51,932.77	-	Other income
Provincial special fund for high quality development of manufacturing industry	2,707,500.00	Deferred income	142,500.00	-	Other income
distilled wine production intelligent, automatic	900,000.04	Deferred income	99,999.96	-	Other income

	Grant amount	Balance sheet item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
upgrading					
VOCs Deep Governance	716,391.45	Deferred income	333,608.55	-	Other income
Robot project	412,115.90	Deferred income	37,884.10	-	Other income
Total	103,714,978.95	-	5,916,533.10	7,204,388.92	—

5.56.2 Revenue related government grants

	Grant amount	Income statement item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
Tax Refund	10,899,647.61	Other income	10,899,647.61	10,939,461.17	Other income
Grants related to industry	7,437,183.00	Other income	7,437,183.00	-	Other income
Grants related to Transformation and diffusion of scientific and technological achievements	4,387,700.00	Other income	4,387,700.00	-	Other income
Job-loss Insurance Refund	3,993,126.71	Other income	3,993,126.71	1,504,366.43	Other income
Provincial Manufacturing Development-distilled wine production intelligent Fund	1,140,000.00	Other income	1,140,000.00	-	Other income
Scientific and technological innovation Fund	800,000.00	Other income	800,000.00	-	Other income
Grants related to Intellectual property rights Development with High Quality	720,000.00	Other income	720,000.00	-	Other income
Training Subsidy for Workplace Skill	702,000.00	Other income	702,000.00	1,226,000.00	Other income

	Grant amount	Income statement item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
Improvement					
Hubei University of Science and Technology Industrialisation Fund	-	Other income	-	9,541,000.00	Other income
Subsidy for Suizhou Relocation and Renovation Project	-	Other income	-	6,946,300.00	Other income
Xianning Fiscal Incentive for 0 Fiscal Account Balance	-	Other income	-	2,300,000.00	Other income
2021 Substantial Fund for Innovative Province	-	Other income	-	1,200,000.00	Other income
2020 Designated Fund for Provincial Manufacturing Development with High Quality	-	Other income	-	1,000,000.00	Other income
Fiscal Bonus for Digital Economy Development offered by Construction Fund of Leading Manufacturing Province	-	Other income	-	1,000,000.00	Other income
Subsidies by Local Finance Supervision Authorities	-	Other income	-	1,000,000.00	Other income
Bonus for Strategic Innovative Base	-	Other income	-	1,000,000.00	Other income
Other grants related to ordinary operating activities	10,725,069.10	Other income	10,725,069.10	10,408,111.96	Other income
Grants related to ordinary operating activities	-	Non-operating income	-	4,873.94	Non-operating income

	Grant amount	Income statement item	Amount recognised in the income statement		Income statement item
			Y/e 31/12/2022	Y/e 31/12/2021	
Interest subsidies	9,666.66	Financial costs	9,666.66	874,116.13	Financial costs
Total	40,814,393.08	—	40,814,393.08	48,944,229.63	—

Note 6 Change in the scope of consolidation**6.1 Business combination not under common control****6.1.1 General disclosure**

Subsidiary	Date of acquisition	Purchase price	Shareholding acquired	Type of transaction	Combination date	Determination of combination date	Revenue for the period from the combination date to the statement date	Net profit for the period from the combination date to the statement date
Anhui Gujing Health Technology Co., Ltd	2022.11.30	34,664,262.05	60%	Purchase	2022.11.30	Completion of regulatory registration	536,743.91	-1,430,014.64

6.1.2 Cost of acquisition and goodwill

	Anhui Gujing Health Technology Co., Ltd
Cost of acquisition	
Cash	34,664,262.05
Total cost of acquisition	34,664,262.05
Less: Fair value of net identifiable assets acquired	34,664,262.05
Goodwill	-

6.1.3 Net identifiable assets of the acquirees as of the combination dates

Anhui Gujing Health Technology Co., Ltd

	Fair value	Book value
Monetary funds	226,410.81	226,410.81
Accounts receivable	1,448,230.49	1,448,230.49
Prepayments	961,420.96	961,420.96
Other receivables	2,213,743.05	2,213,743.05
Inventories	51,780,108.60	37,063,622.63
Other current assets	13,715.14	13,715.14
Fixed assets	128,068,970.06	93,337,821.30
Intangible assets	12,107,292.55	3,934,385.91
Long-term deferred expenses	1,070,457.84	1,070,457.84
Deferred tax assets	9,295,213.97	9,295,213.97
Short-term borrowings	63,000,000.00	63,000,000.00
Accounts payable	3,754,436.80	3,754,436.80
Contract liabilities	1,041,498.33	1,041,498.33
Employee benefits payable	655,065.66	655,065.66
Taxes and fees payable	987,287.74	987,287.74
Other payables	70,487,671.31	70,487,671.31
Other current liabilities	842,752.34	842,752.34
Deferred tax liabilities	8,643,081.21	-

	Fair value	Book value
Net Assets	57,773,770.08	8,796,309.92
Less: Non-controlling interests	23,109,508.03	3,518,523.97
Net assets acquired	34,664,262.05	5,277,785.95

6.2 Other changes

Theme Hotel, Anjie Technology, Huanggang Junya were included in the Company's scope of consolidation for the first time in the period as a result of incorporation.

Note 7 Interests in other entities

7.1 Interests in subsidiaries

7.1.1 General disclosure

Subsidiary	Place of primary operation	Place of registration	Nature of operation	Shareholding in %		Means of control acquisition
				Direct	Indirect	
GJ Sales	Bozhou, Anhui	Bozhou, Anhui	Trading	100	-	Incorporation
Longrui Glass	Bozhou, Anhui	Bozhou, Anhui	Production	100	-	Incorporation
Jiuan Electric	Bozhou, Anhui	Bozhou, Anhui	Machinery production	100	-	Incorporation
Jinyunlai	Hefei, Anhui	Hefei, Anhui	Advertising	100	-	Incorporation
Ruisi Weier	Bozhou, Anhui	Bozhou, Anhui	R&D	100	-	Incorporation
Jinhao Hotel	Shanghai	Shanghai	Hotel management	100	-	Business combination under common control
GJ Guest House	Bozhou, Anhui	Bozhou, Anhui	Hotel management	100	-	Business combination under common control
YQ Environment Protection	Bozhou, Anhui	Bozhou, Anhui	Sewage processing	100	-	Incorporation
GJ E-Commerce	Hefei, Anhui	Hefei, Anhui	E-commerce	100	-	Incorporation

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Subsidiary	Place of primary operation	Place of registration	Nature of operation	Shareholding in %		Means of control acquisition
				Direct	Indirect	
Runan Xinke	Bozhou, Anhui	Bozhou, Anhui	Food testing	100	-	Incorporation
Jiudao Media	Hefei, Anhui	Hefei, Anhui	Advertising	100	-	Incorporation
Theme Hotel	Bozhou, Anhui	Bozhou, Anhui	Hotel management	100		Incorporation
Anjie Technology	Bozhou, Anhui	Bozhou, Anhui	Food testing	-	70	Incorporation
HHL Distillery	Wuhan, Hubei	Wuhan, Hubei	Production	51	-	Business combination not under common control
HHL Xianning	Xianning, Hubei	Xianning, Hubei	Production	-	51	Business combination not under common control
HHL Suizhou	Suizhou, Hubei	Suizhou, Hubei	Production	-	51	Business combination not under common control
Junlou Culture	Wuhan, Hubei	Wuhan, Hubei	Advertising	-	51	Business combination not under common control
HHL Beverage	Xianning, Hubei	Xianning, Hubei	Production	-	51	Incorporation
Yashibo	Wuhan, Hubei	Wuhan, Hubei	R&D	-	51	Incorporation
Xinjia Testing	Xianning, Hubei	Xianning, Hubei	Food testing	-	51	Incorporation
Tianlong Jindi	Wuhan, Hubei	Wuhan, Hubei	Trading	-	51	Business combination not under common control
Xianning Junhe	Xianning, Hubei	Xianning, Hubei	Trading	-	51	Business combination not under common

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Subsidiary	Place of primary operation	Place of registration	Nature of operation	Shareholding in %		Means of control acquisition
				Direct	Indirect	
						control
Junya Sales	Wuhan, Hubei	Wuhan, Hubei	Trading	-	51	Incorporation
Suizhou Junhe	Suizhou, Hubei	Suizhou, Hubei	Trading	-	51	Incorporation
Huanggang Junya	Huanggang, Hubei	Huanggang, Hubei	Trading	-	51	Incorporation
Mingguang Distillery	Chuzhou, Anhui	Chuzhou, Anhui	Production	60	-	Business combination not under common control
Tiancheng Sales	Chuzhou, Anhui	Chuzhou, Anhui	Trading	-	60	Business combination not under common control
FY Xiaogangcun	Chuzhou, Anhui	Chuzhou, Anhui	Production	-	42	Business combination not under common control
Jiuhao ChinaRail	Bozhou, Anhui	Bozhou, Anhui	Construction	52	-	Incorporation
Zhenrui Construction	Bozhou, Anhui	Bozhou, Anhui	Construction	-	52	Incorporation
Treasure Distillery	Guizhou Renhuai	Guizhou Renhuai	Production	60	-	Business combination not under common control
GJ Health Technology	Bozhou, Anhui	Bozhou, Anhui	Production	60	-	Business combination not under common control
Maiqi Biotechnology	Bozhou, Anhui	Bozhou, Anhui	R&D	-	60	Business combination not under common

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Subsidiary	Place of primary operation	Place of registration	Nature of operation	Shareholding in %		Means of control acquisition
				Direct	Indirect	
						control
Brand Operation	Hefei, Anhui	Hefei, Anhui	Advertising	-	60	Business combination not under common control
Biotechnology	Lingshui, Hainan	Lingshui, Hainan	Trading	-	60	Business combination not under common control

7.1.2 Significant partially owned subsidiaries

Subsidiary	Non-controlling shareholding %	Profit or loss attributable to minority shareholders for the period	Dividends declared for minority shareholders	Minority interest as of the statement date
HHL Distillery	49.00	104,120,337.59	41,909,624.65	549,100,453.28

7.1.3 Key Significant partially owned subsidiaries

Subsidiary	31/12/2022					
	Current assets	Non-current assets	Total	Current liabilities	Non-current liabilities	Total liabilities
HHL Distillery	1,174,784,972.79	1,095,159,397.17	2,269,944,369.96	952,593,793.76	195,313,952.86	1,147,907,746.62

(Continue)

Subsidiary	31/12/2021					
	Current assets	Non-current assets	Total	Current liabilities	Non-current liabilities	Total liabilities
HHL Distillery	1,106,087,761.34	1,004,277,608.57	2,110,365,369.91	792,402,887.81	324,643,456.05	1,117,046,343.86

(Continue)

Subsidiary	Y/e 31/12/2022			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
HHL Distillery	1,753,497,722.05	213,913,938.26	214,247,443.52	136,032,287.63

(Continue)

Subsidiary	Y/e 31/12/2021			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
HHL Distillery	1,458,982,962.92	165,997,680.58	165,639,898.18	386,107,248.19

7.2 Significant joint ventures and associates

The Company had no significant joint venture or associate.

Note 8 Risks associated with financial instruments

Risks related to the financial instruments of the Company arise from the recognition of various financial assets and financial liabilities during its operation, including credit risk, liquidity risk and market risk.

Management of the Company is responsible for determining risk management objectives and policies related to financial instruments. Operational management is responsible for the daily risk management through functional departments (e.g. credit management department of the Company reviews each credit sale). Internal audit department is responsible for the daily supervision of implementation of the risk management policies and procedures, and report their findings to the audit committee in a timely manner.

Overall risk management objective of the Company is to establish risk management policies to minimize the risks without unduly affecting the competitiveness and resilience of the Company.

8.1 Credit risk

Credit risk is the risk of one party of the financial instrument face to a financial loss because the other party of the financial instrument fails to fulfill its obligation. The credit risk of the Company is

related to monetary funds, notes receivable, accounts receivables, other receivables and long-term receivables. Credit risk of these financial assets is derived from the counterparty's breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Monetary funds of the Company has lower credit risk, as they are mainly deposited in financial institutions such as commercial banks, of which the Company believes with higher reputation and financial position.

Notes receivable held by the Company mainly comprise bank acceptance which have relatively high liquidity. The Company has established necessary internal control policies that can ensure the safety of the maintenance and usage of notes and such policies have been implemented effectively. The Company believes that notes receivable have low credit risk.

Accounts receivable mainly arising from sales. The Company makes sales only to customers with advanced credit worthiness and monitors accounts receivable on a continuous basis to ensure the occurrence of significant bad debts. The maximum risk exposure brought by financial instruments is their book value. The Company believes that the credit risk is relatively low.

8.2 Liquidity risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all of its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as to ensure to maintain adequate cash and cash equivalents.

8.3 Market risk

The market risk of a financial instrument refers to the risk on the fair value or future cash flows of the financial instrument brought by market factors. Market risk mainly comprises foreign exchange risk and interest risk.

8.3.1 Foreign currency risk

Foreign currency risk of the Company mainly arise from foreign currency assets and liabilities

denominated in currency other than the Company's functional currency. As the Company mainly operate in Mainland China with transactions mostly settled in CNY and very limited export activities, foreign currency risk is insignificant.

8.3.2 Interest risk

Interest risk refers to the risk on the fair value or future cash flows of a financial instrument brought by the change of market interest rate. Interest risk mainly arises from bank loans. As of the statement date, the Company had no bank loan with a floating interest rate.

8.3.3 Other price risk

Investments held for trading were measured at fair value. As such, these investments are subject to the risk brought by the change of security prices. The Company controls this risk to the acceptable level by utilising multiple investment mix.

Note 9 Fair value disclosure

The inputs used in the fair value measurement in its entirety are to be classified in the level of the hierarchy in which the lowest level input that is significant to the measurement is classified.

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Inputs for the assets or liabilities (other than those included in Level 1) that are either directly or indirectly observable.

Level 3: Inputs are unobservable inputs for the assets or liabilities

9.1 Fair value of assets and liabilities measured by fair value as of the statement date

	Fair value as of the statement date			
	Level 1	Level 2	Level 3	Total
Continuously measured by fair value				
A. Financial assets held for trading		1,782,687,769.66		1,782,687,769.66
a. FATPLs		1,782,687,769.66		1,782,687,769.66
1. Debt instruments				

	Fair value as of the statement date			
	Level 1	Level 2	Level 3	Total
2. Structural financial products		1,580,352,899.17		1,580,352,899.17
3. Investment in funds	-	202,334,870.49		202,334,870.49
B. FATOCIs		56,447,789.94	217,419,441.32	273,867,231.26
a. Receivables held for factoring	-		217,419,441.32	217,419,441.32
b. Other equity instrument investments		56,447,789.94		56,447,789.94
Total		1,839,135,559.60	217,419,441.32	2,056,555,000.92

The fair value of financial instruments traded in an active market was based on quoted market prices at the reporting date. The fair value of financial instruments not traded in an active market was determined by using valuation techniques. Specific valuation techniques used to value the above financial instruments include discounted cash flow and market approach to comparable company model. Inputs in the valuation technique include risk-free interest rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, discount for lack of liquidity.

9.2 Qualitative and quantitative information of key inputs and valuation methods applicable to Level 2 financial instruments continuously measured by fair value

As of the statement date, the Company's Level 3 financial instruments comprised mainly investment in funds and structural financial products. The fair value of investment in funds was determined by the valuation offered by the asset management companies. The fair value of structural financial products were computed in accordance with the terms of the respective contracts.

9.3 Qualitative and quantitative information of key inputs and valuation methods applicable to Level 3 financial instruments continuously measured by fair value

As of the statement date, the Company's Level 3 financial instruments comprised solely pre-mature notes receivable. Issuers of the notes had healthy credit worthiness. The fair value of these receivables as of the statement date was measured at the recoverable amount of these receivables as of the statement date, which was computed using the respective discount rates offered by banks for

cashing.

Note 10 Related parties

An entity or individual is a related party to the Company if the entity or individual:

- a. is controlled or jointly controlled by the Company;
- b. over which the Company has significant influence;
- c. controls or jointly controls the Company; or
- d. is subject to the same control or joint control over the Company.

10.1 Controlling shareholder of the Company

	Place of registration	Nature of business	Registered capital	Shareholding in the Company in %	Voting right in the Company in %
GJ Group	Bozhou, Anhui	Production of beverage, construction materials, plastic products.	1,000 million	51.34	51.34

The Company's ultimate controller is the State-owned Asset Management Commission of the People's Government of Baozhou, Anhui

10.2 Subsidiaries

See Note 7 for details.

10.3 Joint ventures and associates

See Note 7 for details.

10.4 Other related parties of the Company

	Relationship to the Company
Nanjing Suning Property Development Co., Ltd.(Suning Property Development)	Controlled by ZHANG Guiping, the non-executive director of the Company
Anhui Ruijing Shanglv (Group) Co., Ltd. (RJSL Group)	Controlled by the Company's controlling shareholder or ultimate controller

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

	Relationship to the Company
Anhui Ruijing Shanglv (Group) Co., Ltd. Hefei Gujing Holiday Inn (RJSJ Holiday Inn)	Controlled by the Company's controlling shareholder or ultimate controller
Bozhou Gujing Huishenglou Catering Co., Ltd.(GJ Huishenglou Catering)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Haochidian Catering Co., Ltd. (Haochidian Catering)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Ruijing Catering Co., Ltd. (Ruijing Catering)	Controlled by the Company's controlling shareholder or ultimate controller
Shanghai Beihai Hotel Co., Ltd. (Beihai Hotel)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Gujing Hotel Development Co., Ltd.(GJ Hotel Development)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Huixin Financial Investment Group Co., Ltd.(Huixin Financial Investment)	Controlled by the Company's controlling shareholder or ultimate controller
Bozhou Anxin Small Loan Co., Ltd. (Anxin Small Loan)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Hengxin Pawnshop Co., Ltd. (Hengxin Pawnshop)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Ruixin Pawnshop Co., Ltd. (Ruixin Pawnshop)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Zhongxin Financial Leasing Co., Ltd.(Zhongxin Financial Leasing)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Lixin E-Commerce Co., Ltd. (Lixin E-Commerce)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Youxin Financing Guarantee Co, Ltd. (Youxin Guarantee)	Controlled by the Company's controlling shareholder or ultimate controller
Hefei Longxin Corporate Management Advisory Co., Ltd. (Longxin Advisory)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Chuangxin Equity Investment Co. Ltd.(Chuangxin Equity Investment)	Controlled by the Company's controlling shareholder or ultimate controller

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

	Relationship to the Company
Anhui Lejiu Jiayuan Travel Management Co., Ltd. (Lejiu Jiayuan)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Shenglong Trading Co., Ltd. (Shenglong Trading)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Gujing Health Industry Co., Ltd. (Health Industry)	Controlled by the Company's controlling shareholder or ultimate controller
Bozhou Guest House Co., Ltd. (Bozhou Guest House)	Controlled by the Company's controlling shareholder or ultimate controller
Dongfang Ruijing Enterprise Investment Co., Ltd.(Dongfang Ruijing)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Gujing International Development Co., Ltd.(GJ International)	Controlled by the Company's controlling shareholder or ultimate controller
Anhui Jiuan Construction Management Advisory Co., Ltd.(Jiuan Advisory)	Controlled by the Company's controlling shareholder or ultimate controller

10.5 Related party transactions

10.5.1 Goods and services

Purchase of goods and services

Related party	Transaction	Y/e 31/12/2022	Y/e 31/12/2021
Haochidian Catering	Purchase of materials and services	-	16,752,135.81
Bozhou Guest House	Receiving catering and accommodation	2,380,785.35	5,276,946.76
GJ Huishenglou Catering	Receiving catering and accommodation	1,081,439.85	1,697,688.00
Haochidian Catering	Receiving catering and accommodation	2,478,493.67	2,800,831.40
GJ Hotel Development	Receiving catering and accommodation	456,528.55	1,195,369.24
RJSL Group	Purchase of materials and services	101,061.95	96,890.00
RJSL Group	Receiving catering and accommodation	176,813.91	658,611.03
RJSL Holiday Inn	Receiving catering and accommodation	35,418.95	113,524.00
RJSL Holiday Inn	Purchase of materials and services	582,276.00	871,614.88
Youxin Guarantee	Receiving services	53,543.69	49,504.95

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Related party	Transaction	Y/e 31/12/2022	Y/e 31/12/2021
GJ Hotel Development	Purchase of materials and services	-	2,735.85
Haochidian Catering	Purchase of assets	-	135,398.23
Jiuan Advisory	Advisory and assurance	5,064,377.44	3,427,517.43
Total	—	12,410,739.36	33,078,767.58

Sales of goods and rendering of services

Related party	Transaction	Y/e 31/12/2022	Y/e 31/12/2021
Shenglong Trading	Sales of distilled wine	1,712,094.67	1,506,569.89
RJSL Group	Sales of distilled wine	-	1,125,056.17
GJ Hotel Development	Provision of utilities	175,655.64	290,336.98
GJ Group	Provision of catering and accommodation	120,731.75	279,597.00
GJ Group	Sales of small materials	47,227.48	223,523.11
GJ Hotel Development	Sales of distilled wine	539,469.03	146,484.95
RJSL Group	Provision of catering and accommodation	10,823.97	121,295.14
RJSL Holiday Inn	Sales of distilled wine	-	81,451.34
Bozhou Guest House	Sales of distilled wine	-	55,274.34
Huixin Financial Investment	Sales of distilled wine	59,146.02	38,500.88
GJ Huishenglou Catering	Sales of distilled wine	-	30,106.20
Anxin Small Loan	Sales of distilled wine	65,572.57	19,656.64
Haochidian Catering	Sales of distilled wine	-	19,115.04
Zhongxin Financial Leasing	Sales of distilled wine	15,358.41	11,572.57
Hengxin Pawnshop	Sales of distilled wine	24,573.45	11,405.32
Jiuan Advisory	Sales of distilled wine	101,317.70	8,968.14
Beihai Hotel	Sales of distilled wine	-	8,601.77
Lejiu Jiayuan	Sales of distilled wine	11,155.76	8,235.39
Shenglong Trading	Provision of catering and accommodation	3,140.00	7,084.00

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Related party	Transaction	Y/e 31/12/2022	Y/e 31/12/2021
Lejiu Jiayuan	Provision of utilities	4,962.36	6,545.75
Ruixin Pawnshop	Sales of distilled wine	12,286.72	6,443.36
Youxin Guarantee	Sales of distilled wine	8,718.59	3,082.30
Haochidian Catering	Provision of services	-	2,547.17
Bozhou Guest House	Provision of construction services	14,758,223.32	707.55
Jiuan Advisory	Provision of catering and accommodation	8,600.00	2,230.00
Longxin Advisory	Sales of distilled wine	3,071.68	1,194.69
Jiuan Advisory	Sales of small materials	3,412.25	778.68
Health Industry	Sales of distilled wine	-	-797,129.56
RJSL Group	Sales of small materials	128.32	-
Dongfang Ruijing	Provision of catering and accommodation	82,528.93	-
GJ Hotel Development	Provision of catering and accommodation	14,266.98	-
GJ Hotel Development	Sales of distilled wine	113.27	-
Total	—	17,782,578.87	3,219,234.81

10.5.2 Leases

The Company as the Lessor

Lessee	Leased item	Rental income	Rental income
		Y/e 31/12/2022	Y/e 31/12/2021
GJ Hotel Development	Houses and buildings	1,166,083.56	1,379,517.44
Total	—	1,166,083.56	1,379,517.44

The Company as the Lessee

Lessor	Leased item	Rental cost	Rental cost
		Y/e 31/12/2022	Y/e 31/12/2021
GJ Group	Houses and buildings	1,090,629.08	1,197,761.12

Suning Property Development	Houses and buildings	2,100,000.00	2,050,000.00
Total		3,190,629.08	3,247,761.12

10.5.3 Key management remuneration

	Y/e 31/12/2022	Y/e 31/12/2021
Key management remuneration	21.00million	18.53 million

10.6 Related party balances

	Related party	31/12/2022	31/12/2021
Contract assets	Bozhou Guest House	1,855,188.15	
Contract liabilities	Health Industry		617,959.73
Contract liabilities	RJSL Group	221.12	92.04
Contract liabilities	GJ International	58,849.56	164,675.75
Contract liabilities	GJ Hotel Development	148.67	
Accounts payable	Juan Advisory	2,151,065.65	
Other payables	RJSL Group	115,533.60	115,533.60
Other payables	GJ Hotel Development	50,000.00	50,000.00

Note 11 Commitments and contingencies

11.1 Significant commitments

In accordance with the agreement entered into by the Company, Wuhan Tianlong Investment Group Co., Ltd, and YAN Hongye on the transfer of the shareholding in HHL Distillery, the Company made a commitment for the tax inclusive revenue performance of HHL Distillery as follow:

	2017	2018	2019	2020	2021
Committed	805.00	1,006.25	1,308.13	1,700.56	2,040.68
tax inclusive revenue	million	million	million	million	million

The Company also committed that in the five consecutive years following the year in which the ownership transaction is completed, the net profit ratio of HHL Distillery for each year shall not be less than 11.00%. If in any of the 5 consecutive year, the audited net profit ratio of HHL Distillery is

less than 11.00%, the Company shall compensate the sellers the difference between the committed net profit and the actual net profit. If the audited net profit ratio for any 2 consecutive years with the 5-year period is lower than 11.00%, the sellers are entitled to repurchase all shareholding sold to the Company at the repurchase price of CNY 816.00 million.

The operating performance of HHL Distillery for 2020, as reported by its financial statements for that period, is presented as below:

	Actual	Committed	Difference	% of Committed performance
Revenue (tax inclusive)	583.13 million	1,700.56 million	-1,117.43 million	34.29%
Net profit	-11.72 million	165.54 million	-177.26 million	Loss
Net profit ratio	-2.27%	11.00%	-13.27%	Loss

The operation of HHL Distillery was significant impacted by the Force majeure. Upon mutual negotiation, the performance commitment was altered with 2020 excluded from the performance assessment period.

1) Committed before tax revenue for the assessment period

	2017	2018	2019	2020	2021	2022
Committed tax inclusive revenue	805.00 million	1,006.25 million	1,308.13 million	Excluded	1,700.56 million	2,040.68 million

2) The committed net profit ratio, net profit and estimated profit available for distribution as agreed by the original agreement for 2020 and 2021 become applicable for 2021 and 2022 respectively.

3) No party to the agreement shall have the right to demand reimbursement, compensation or other liabilities to any other party to the agreement on the basis of the performance of HHL Distillery for 2020.

The operating performance of HHL Distillery for 2022, as reported by its financial statements for that period, is presented as below:

	Actual	Committed	Difference	% of Committed performance
Revenue (tax inclusive)	2,051.59 million	2,040.68million	10.92 million	100.53%

	Actual	Committed	Difference	% of Committed performance
Net profit	218.78 million	198.65 million	20.13 million	110.13%
Net profit ratio	12.05%	11.00%	1.05%	109.55%

11.2 Contingencies

No contingency as of the statement date was required for disclosure.

Note 12 Subsequent events

Except for the matters described in Note 11, as of the date of these financial statements, no subsequent event is required for disclosure.

Note 13 Other significant matters – Segment reporting

In accordance with the Company's internal management and reporting structure, segment reporting is not applicable.

Note 14 Notes to the separate financial statements of the Company

14.1 Accounts receivable

14.1.1 No account receivable as of 31 December 2022.

14.1.2 No account receivable as of 31 December 2021.

14.1.3 Impairment movement for the period was not applicable for accounts receivable.

14.2 Other receivables

14.2.1 General disclosure

	31/12/2022	31/12/2021
Interests receivable		-
Dividends receivable		-
Other receivables	202,279,154.63	290,480,736.49
Total	202,279,154.63	290,480,736.49

14.2.2 Other receivables

(1) Disclosure by age group

Age group	31/12/2022	31/12/2021
Within 1 year	200,863,691.53	289,632,069.08
T/o: Within 6 months	200,851,698.40	289,213,314.37
7 months to 1 years	11,993.13	418,754.71
1 to 2 years	1,303,136.00	763,921.03
2 to 3 years	710,291.70	797,227.20
Over 3 years	39,757,474.30	39,383,584.88
Gross	242,634,593.53	330,576,802.19
Less: Impairment allowance	40,355,438.90	40,096,065.70
Net	202,279,154.63	290,480,736.49

(2) Disclosure by nature

	31/12/2022	31/12/2021
Due from related party within the scope of consolidation	189,661,149.05	267,559,576.83
Security investments	38,434,247.10	38,857,584.88
Margin deposits	3,351,294.09	3,330,794.09
Rentals and utilities receivable	741,495.49	472,547.89
Others	10,446,407.80	20,356,298.50
Total	242,634,593.53	330,576,802.19

(3) Disclosure by method of impairment

A. Disclosure by the 3-stage model as of the statement date

	Gross	Impairment allowance	Net
Stage 1	204,200,346.43	1,921,191.80	202,279,154.63
Stage 2			-
Stage 3	38,434,247.10	38,434,247.10	-
Total	242,634,593.53	40,355,438.90	202,279,154.63

Details of Stage 1 receivables as of the statement date

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment				
Portfolio assessment	204,200,346.43	0.94	1,921,191.80	202,279,154.63
T/o: Group 1	189,661,149.05	-	-	189,661,149.05
Group 2	14,539,197.38	13.21	1,921,191.80	12,618,005.58
Total	204,200,346.43	0.94	1,921,191.80	202,279,154.63

Details of Group 2 receivables as of the statement date

Age group	31/12/2022		
	Gross	Impairment allowance	Impairment %
Within 1 year	11,202,542.48	112,505.14	1.00
T/o: Within 6 months	11,190,549.35	111,905.48	1.00
7 months to 1 years	11,993.13	599.66	5.00
1 to 2 years	1,303,136.00	130,313.60	10.00
2 to 3 years	710,291.70	355,145.86	50.00
Over 3 years	1,323,227.20	1,323,227.20	100.00
Total	14,539,197.38	1,921,191.80	13.21

Details of Stage 3 receivables as of the statement date

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment	38,434,247.10	100.00	38,434,247.10	-
Portfolio assessment				
T/o: Group 1				
Group 2				
Total	38,434,247.10	100.00	38,434,247.10	-

Details of receivables subject to individual assessment as of the statement date

	31/12/2022			
	Gross	Impairment allowance	Impairment %	Reason for impairment
Hengxin Securities Co., Ltd.	28,733,899.24	28,733,899.24	100.00	In bankruptcy
Jianqiao Securities Co., Ltd.	9,700,347.86	9,700,347.86	100.00	In bankruptcy
Total	38,434,247.10	38,434,247.10	100.00	

B. Disclosure by the 3-stage model as of 31 December 2021

	Gross	Impairment allowance	Net
Stage 1	291,719,217.31	1,238,480.82	290,480,736.49
Stage 2			-
Stage 3	38,857,584.88	38,857,584.88	-
Total	330,576,802.19	40,096,065.70	290,480,736.49

Details of Stage 1 receivables as of 31 December 2021

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment				
Portfolio assessment	291,719,217.31	0.42	1,238,480.82	290,480,736.49
T/o: Group 1	267,559,576.83	-		267,559,576.83
Group 2	24,159,640.48	5.13	1,238,480.82	22,921,159.66
Total	291,719,217.31	0.42	1,238,480.82	290,480,736.49

Details of Group 2 receivables as of 31 December 2021

Age group	31/12/2021		
	Gross	Impairment allowance	Impairment %
Within 1 year	22,072,492.25	237,475.12	1.08
T/o: Within 6 months	21,653,737.54	216,537.38	1.00
7 months to 1 years	418,754.71	20,937.74	5.00
1 to 2 years	763,921.03	76,392.10	10.00

Age group	31/12/2021		
	Gross	Impairment allowance	Impairment %
2 to 3 years	797,227.20	398,613.60	50.00
Over 3 years	526,000.00	526,000.00	100.00
Total	24,159,640.48	1,238,480.82	5.13

Details of Stage 3 receivables as of 31 December 2021

	Gross	Expected loss rate for the next 12 months in %	Impairment allowance	Net
Individual assessment	38,857,584.88	100.00	38,857,584.88	0.00
Portfolio assessment				-
T/o: Group 1				-
Group 2				-
Total	38,857,584.88	100.00	38,857,584.88	0.00

Details of receivables subject to individual assessment as of 31 December 2021

	31/12/2021			
	Gross	Impairment allowance	Impairment %	Reason for impairment
Hengxin Securities Co., Ltd.	28,966,894.41	28,966,894.41	100.00	In bankruptcy
Jianqiao Securities Co., Ltd.	9,890,690.47	9,890,690.47	100.00	In bankruptcy
Total	38,857,584.88	38,857,584.88	100.00	-

(4) Movement of impairment allowance

	31/12/2021	Movement			31/12/2022
		Provision	Reversal or recovery	Release or write-off	
Individual assessment	38,857,584.88		423,337.78		38,434,247.10
Portfolio assessment	1,238,480.82	682,710.98			1,921,191.80
Total	40,096,065.70	682,710.98	423,337.78		40,355,438.90

(5) Top-five other receivables as of the statement date

Debtor	Nature	31/12/2022	Age group	% of total gross other receivables	Impairment allowance
Top 1	Due from related party within the scope of consolidation	80,207,352.12	Within 6 months	33.06	0.00
Top 2	Due from related party within the scope of consolidation	68,211,561.36	Within 6 months	28.11	0.00
Top 3	Due from related party within the scope of consolidation	40,000,000.00	Within 6 months	16.49	0.00
Top 4	Security investment	28,733,899.24	Over 3 years	11.84	28,733,899.24
Top 5	Security investment	9,700,347.86	Over 3 years	4.00	9,700,347.86
Total		226,853,160.58		93.50	38,434,247.10

14.3 Long-term equity investments

14.3.1 General disclosure

	31/12/2022			31/12/2021		
	Gross	Impairment allowance	Impairment %	Gross	Impairment allowance	Impairment %
Investment in subsidiaries	1,582,079,903.43	-	1,582,079,903.43	1,547,415,641.38	-	1,547,415,641.38
Investment in Associates	4,669,710.25	-	4,669,710.25	-	-	-
Total	1,586,749,613.68	-	1,586,749,613.68	1,547,415,641.38	-	1,547,415,641.38

14.3.2 Investment in subsidiaries

Subsidiary	31/12/2021	Increase	Decrease	31/12/2022	Impairment recognised in the period	Cumulative impairment as of 31/12/2022
GJ Sales	68,949,286.89	-	-	68,949,286.89	-	-
Longrui Glass	85,267,453.06	-	-	85,267,453.06	-	-
Jinhao Hotel	49,906,854.63	-	-	49,906,854.63	-	-

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

Subsidiary	31/12/2021	Increase	Decrease	31/12/2022	Impairment recognised in the period	Cumulative impairment as of 31/12/2022
GJ Guest House	648,646.80	-	-	648,646.80	-	-
Ruisi Weier	40,000,000.00	-	-	40,000,000.00	-	-
YQ Environment Protection	16,000,000.00	-	-	16,000,000.00	-	-
GJ E-Commerce	5,000,000.00	-	-	5,000,000.00	-	-
HHL Distillery	816,000,000.00	-	-	816,000,000.00	-	-
Jinyunlai	15,000,000.00	-	-	15,000,000.00	-	-
Runan Xinke	10,000,000.00	-	-	10,000,000.00	-	-
Jiuan Electric	10,000,000.00	-	-	10,000,000.00	-	-
Mingguang Distillery	200,200,000.00	-	-	200,200,000.00	-	-
Treasure Distillery	224,723,400.00	-	-	224,723,400.00	-	-
Jiuhao ChinaRail	5,720,000.00	-	-	5,720,000.00	-	-
GJ Health Technology	-	34,664,262.05	-	34,664,262.05	-	-
Total	1,547,415,641.38	34,664,262.05	-	1,582,079,903.43	-	-

14.3.3 Investment in Associates

Investee	31/12/2021	Movement				
		Contribution	Investment withdrawal	Investment income at equity	OCI adjustment	Other equity movement
A. Associates	-	-	-	-	-	-
Anhui Xunfeijiuzhi Technology Co., Ltd (Xunfeijiuzhi)	-	3,900,000.00	-	769,710.25	-	-
Total	-	3,900,000.00	-	769,710.25	-	-

(Continued)

Investee	Movement			31/12/2022	Cumulative impairment allowance
	Dividend or profit appropriation declared	Impairment allowance recognised	Others		
A. Associates				-	
Xunfeijiuzhi				4,669,710.25	
Total	-	-	-	4,669,710.25	-

14.4 Revenue and cost of sales

	Y/e 31/12/2022		Y/e 31/12/2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Primary operation	8,321,302,489.78	3,081,601,776.18	6,756,444,863.19	2,623,827,961.16
Other operation	115,551,935.55	68,470,471.26	105,482,310.37	61,315,130.77
Total	8,436,854,425.33	3,150,072,247.44	6,861,927,173.56	2,685,143,091.93

14.5 Investment income

	Y/e 31/12/2022	Y/e 31/12/2021
Investment income from long-term equity investments at cost method	531,783,095.55	737,875,260.92
Investment income from long-term equity investments at Equity method	769,710.25	
Gain from disposal of long-term equity investments		2,670,112.66
Gain from disposal of FVTPLs	8,539,026.86	8,072,295.21
Gain from holding of debt instruments		
Gain from holding of other debt like investments		
Gain from disposal of FVTOCIs	-24,743,235.48	-22,496,045.46
Gain from holding of financial assets held for trading		14,393,316.21
Others	102,958.20	410,450.22
Total	516,451,555.38	740,925,389.76

Note 15 Supplementary information

15.1 Non-recurring gain or loss

Anhui Gujing Distillery Company Limited
Notes to the Financial Statements

	Y/e 31/12/2022	Y/e 31/12/2021	Note
Gain or loss from disposal of non-current assets	-4,666,425.09	-5,976,856.98	
Government grants included in current profit or loss (excluding government grants closely associated with the Company's operation and granted in accordance with national standard quota or quantity)	46,721,259.52	55,274,502.42	
Gain or loss from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities and gain from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt-like investments, excluding instruments held for effective hedging associated with the Company's operation	43,874,800.64	34,792,433.45	
Reversal of impairment allowance for accounts receivable previously recognised upon individual assessment	423,337.78	1,949,809.53	
Non-operating income and non-operating expenses not included in above categories	23,314,293.08	77,025,619.76	
Other items falling into the definition of non-recurring gain or loss			
Total non-recurring gain or loss	109,667,265.93	163,065,508.18	
Less: Impact on income tax	27,082,435.88	40,243,159.73	
Total non-recurring gain or loss (net of income tax)	5,984,091.32	11,167,403.88	
T/o: Attributable to non-controlling interests	76,600,738.73	111,654,944.57	

15.2 Return on net assets (RONA) and earnings per share (EPS)

15.2.1 Year ended 31 December 2022

Net profit	Weighted average RONA in %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the Company	17.93	5.95	5.95
Net profit post adjustment for non-recurring gain or loss attributable to shareholders of the Company	17.50	5.80	5.80

15.2.2 Year ended 31 December 2021

Net profit	Weighted average RONA in %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the Company	21.25	4.45	4.45
Net profit post adjustment for non-recurring gain or loss attributable to shareholders of the Company	20.22	4.24	4.24

Chairman of the Board:

Anhui Gujing Distillery Company Limited

28 April 2023

